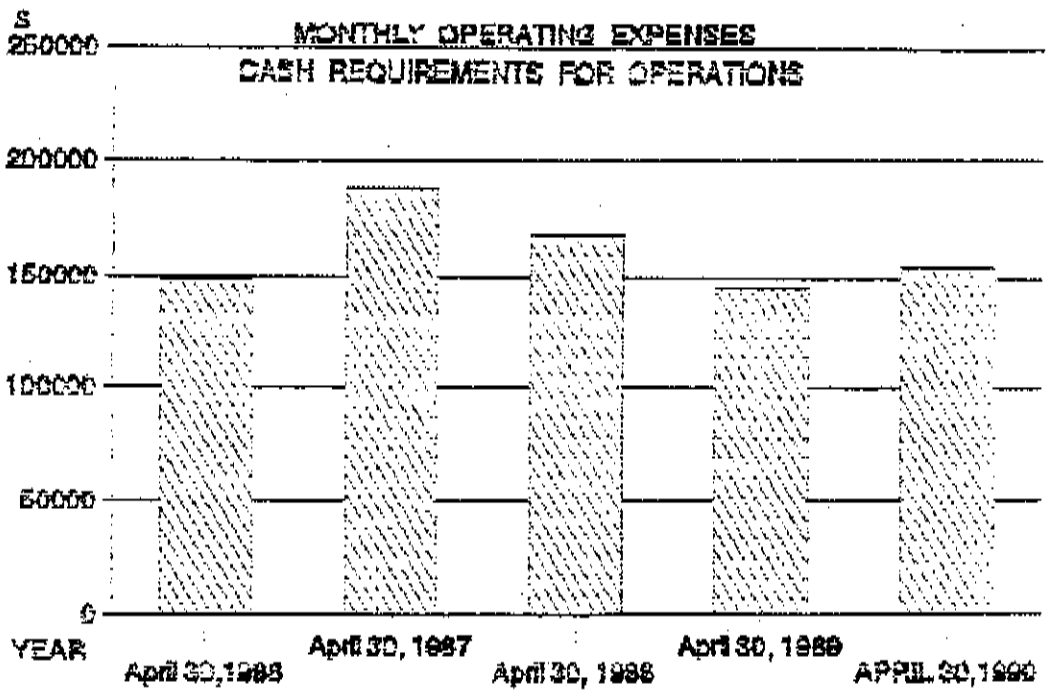
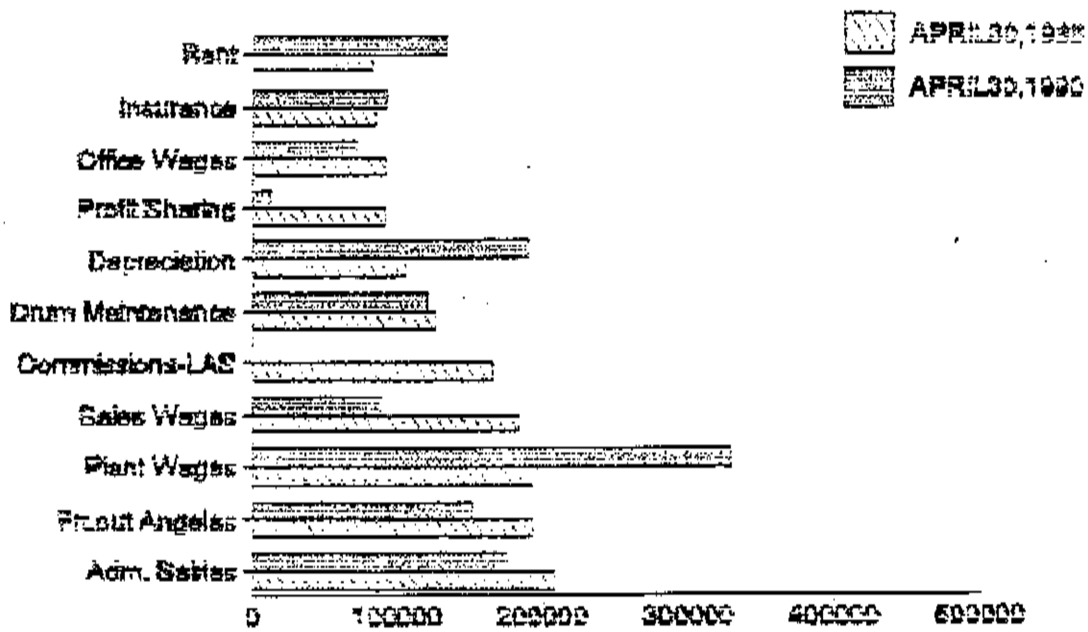
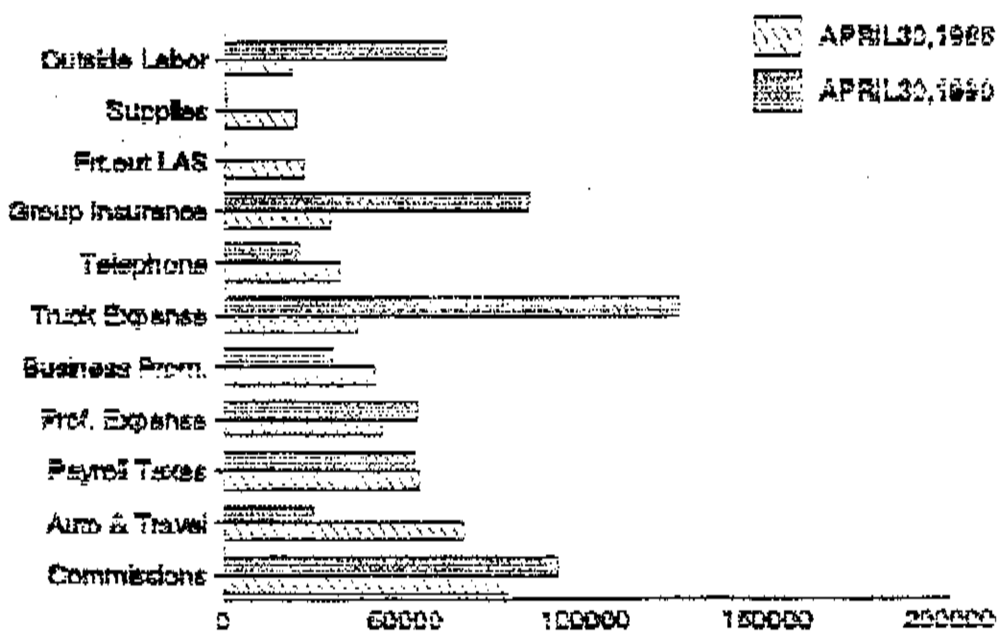
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LESS:				
ACCUM. DEPR.	$718,668.00	$1,101,073.00	$1,292,398.00	$1,361,231.00
NET FIXED ASSETS	$371,083.00	$622,261.00	$351,986.00	$528,906.00
OTHER ASSETS				
DEPOSITS				
DEPOSITS-DR.	$5,619.00	$4,823.00		
DEPOSITS-DR.	$2,494.00	$490.00		
DEPOSITS DRUMS		$12,161.00		
TOTAL OTHER ASSETS	$8,113.00	$17,474.00		
TOTAL ASSETS	$3,285,812.00	$3,059,930.00	$3,038,421.00	$2,876,583.00
LIABILITIES				
CURRENT LIAB.				
ACCOUNTS PAYABLE	$1,118,753.00	$570,396.00	$705,310.00	$762,780.00
ACCRUED TANK TESTING			$5,102.00	$4,603.00
ACCRUED PAYROLL	$8,714.00	$21,883.00	$12,479.00	$14,992.00
ACCRUED COMMSN.	$32,654.00	$26,998.00	$21,135.00	$9,558.00
ACCRUED WORKMANS COMP. INSURANCE		$16,324.00	$3,075.00	$5,424.00
ACCRUED EXOP				$3,300.00
SALES TX PAYABLE	$8,351.00	$0.00	$4,459.00	$5,223.00
INCOME TAX PAYABLE	$-87,592.00	$0.00	$300.00	$0.00
PAYROLL TAX PAYABLE	$161,910.00	$41,886.00		$0.00
DRUM DEPOSITS	$360.00	$142,103.00	$119,350.00	$156,272.00
CUSTOMER DEPOSITS	$7,181.00			
LOAN PAYABLE		$82,648.00		
ACCRUED PROFIT SHARING	$-482.00	$0.00		$-4,184.00
EMPOLOYEE BENEFIT & WLFR.	$-60.00	$1,702.00	$1,144.00	$620.00
NOTES PAYABLE		$9,565.00	$102,683.00	$89,886.00
TOTAL CURRENT LIABILITIES	$1,239,759.00	$911,705.00	$975,038.00	$1,048,372.00
LONG TERM LIABILITIES				
LOAN PAYBLE (CROCKER)		$13,151.00	$37,461.00	$16,800.00
TOTAL LIABILITIES		$924,856.00	$1,012,499.00	$1,064,172.00
SHAREHOLDER EQUITY				
CAPITAL STOCK - .10 PAR VALUE	$5,421.00	$5,406.00		
1,000,000 SHARES AUTHORIZED				
52,797 SHRS ISSUED				$5,407.00
PAID IN CAPITAL	$112,580.00	$105,724.00	$105,724.00	$105,724.00
RETAINED EARNINGS (BEGINING)	$2,092,380.00	$2,010,974.00	$2,024,968.00	$1,915,091.00
NET INCOME	$139,576.00	$13,994.00	$-110,177.00	$-213,863.00
RETAINED EARNINGS (ENDING)	$2,231,956.00	$2,024,968.00	$1,914,791.00	$1,701,228.00
STOCK REDEEMED	$-304,174.00	$0.00	$0.00	
SHAREHOLDERS EQUITY	$2,045,833.00	$2,135,098.00	$2,020,515.00	$1,812,359.00
TOTAL LIABILITY & CAPITAL	$3,285,812.00	$3,060,954.00	$3,033,014.00	$2,876,531.00


MONTHLY OPERATING EXPENSES
CASH REQUIREMENTS FOR OPERATIONS
$
250000
200000
150000
100000
50000
0
YEAR
April 30, 1986
April 30, 1987
April 30, 1988
April 30, 1989
APRIL 30, 1990

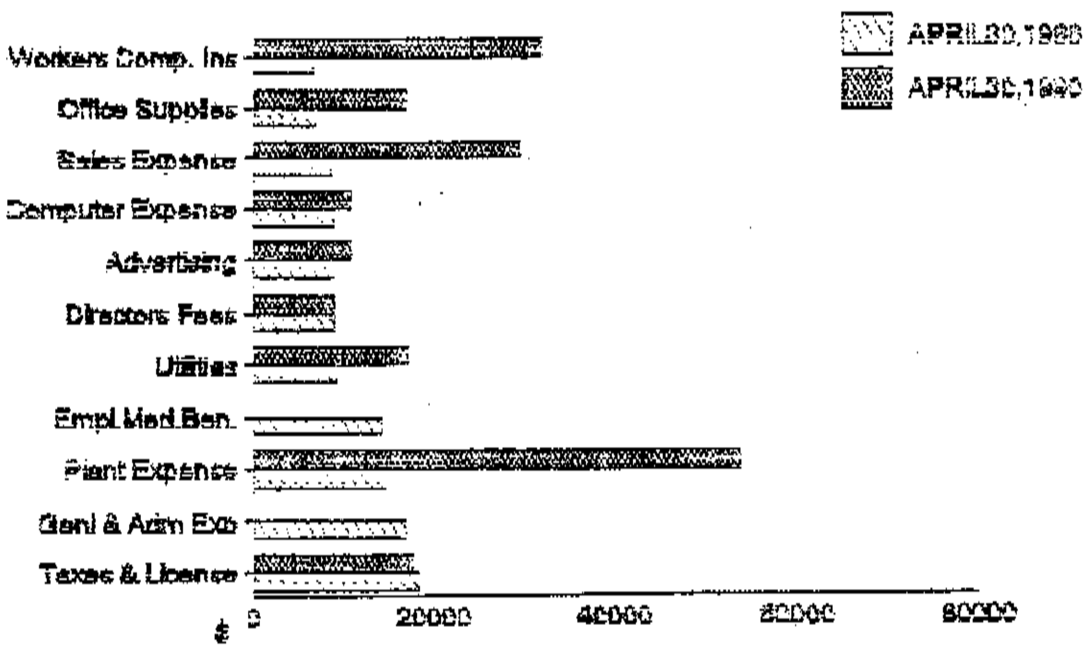
1990 EXPENDITURES VS 1989

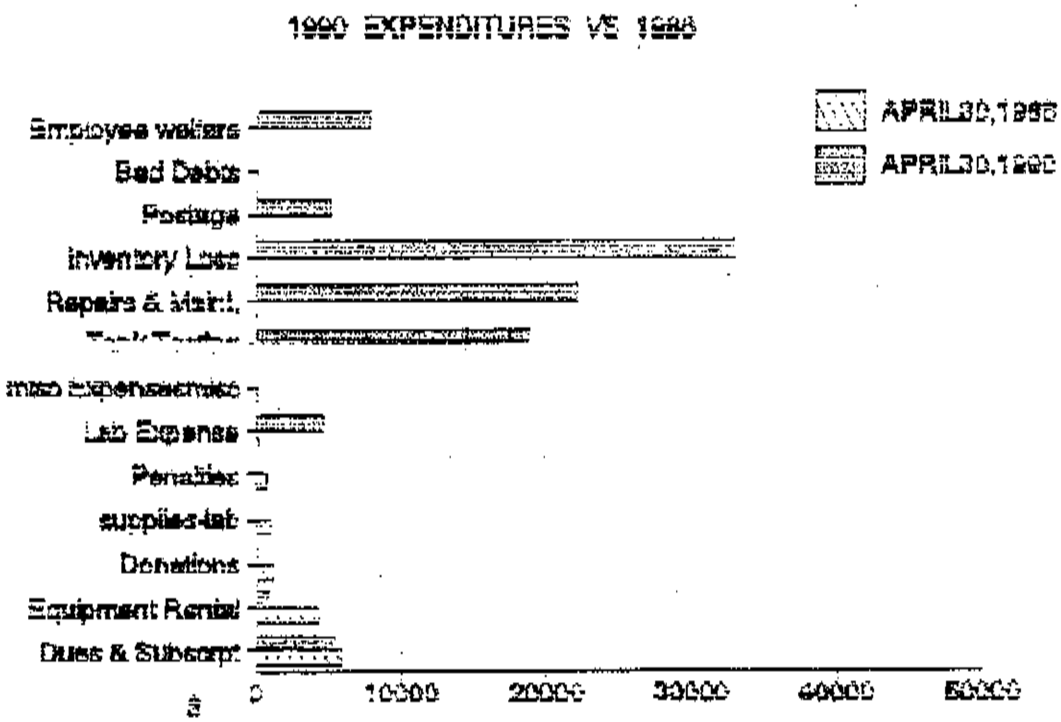


1990 EXPENDITURES VS 1989



1990 EXPENDITURES VS 1989




1990 EXPENDITURES VS 1989
Employee welfare
Bad Debts
Postage
Inventory Loss
Repairs & Maint.
misc expenses-misc
Lab Expense
Penalties
supplies-lab
Donations
Equipment Rental
Dues & Subscript
0
10000
20000
30000
40000
50000

Univar CORPORATION

A VALUE GROWTH COMPANY

Van Waters & Rogers Inc.

Van Waters & Rogers Ltd.

1990 ANNUAL REPORT

BR000406

UNIVAR CORPORATION IS A SERVICE BUSINESS ENGAGED IN THE DISTRIBUTION OF A BROAD RANGE OF INDUSTRIAL CHEMICALS. IT OPERATES THROUGH TWO SUBSIDIARIES, VAN WATERS & ROGERS INC. IN THE UNITED STATES AND VAN WATERS & ROGERS LTD. IN CANADA.

CONTENTS

COMPARATIVE HIGHLIGHTS

For the Years Ended February 28/29 ("Operations" and "Financial" amounts in thousands of dollars)	**1990**	1989	1988
Operations			
Sales	**$1,378,864**	$1,307,865	$1,117,309
Income before taxes	**36,032**	33,857	21,436
Provision for taxes on income	**14,487**	13,884	10,273
Net income	**21,545**	19,973	11,163
Dividends declared	**5,254**	3,489	1,737
*Per Share**			
Net income	**1.22**	1.13	.64
Dividends declared	**.30**	.20	.10
Book value	**7.53**	6.57	5.54
Financial			
Working capital	**71,940**	63,739	67,171
Current ratio	**1.35:1**	1.33:1	1.40:1
Shareholders' equity	**131,880**	114,728	96,254
Inventories	**97,609**	97,532	98,635
Trade accounts receivable — net	**154,529**	143,845	117,535
Property, plant, and equipment — net	**162,443**	135,321	142,253
Other			
Shareholders at year-end	**6,200**	6,200	6,100
Employees	**2,833**	2,702	2,546

**The above historical share data has been restated to reflect a two-for-one stock split paid as a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.*

BR000408

LETTER TO THE SHAREHOLDERS

OPERATING RESULTS

Univar Corporation completed another very satisfactory fiscal year on February 28, 1990, with earnings and sales hitting all-time highs. Net earnings rose by 8% to $21,545,000, or $1.22 per share, compared to $1.13 per share for the prior year (per share figures throughout this report have been restated to reflect a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989).

Sales for the year, at $1,378,864,000, were up by 5% from the prior year. The volume increase was largely the result of a small acquisition in September 1989. Inflation, at an average rate of about 1.6%, was a minor factor, as chemical prices peaked in the early fall of 1989 and actually fell during the balance of our fiscal year.

Gross margins, at 14.9%, were up 0.5% from last year's depressed level, and about even with gross margins reported for the fiscal year ended February 29, 1988. These gross margin levels are well within the range expected for businesses such as ours.

The rate of return on beginning equity declined to 18.8% from 20.8% in the prior year, reflecting an essentially static economy that limited earnings gains while our equity base continued to increase as a result of regular additions to retained earnings.

In the United States, our operating subsidiary, Van Waters & Rogers Inc., increased its coverage of the national market through the acquisition in September 1989 of the stock of Hamblet & Hayes Co., a Ciba-Geigy subsidiary headquartered in Salem, Massachusetts. A long-time chemical distributor in the Northeastern United States, Hamblet & Hayes is expected to add approximately $30 million of annual volume to our U.S. sales (sales figures throughout this report include only the operating results subsequent to the purchase). Shortly after the acquisition, Van Waters & Rogers Inc.'s Boston-area operations were combined with those of Hamblet & Hayes in Salem.

In Canada, Van Waters & Rogers Ltd. enjoyed its second-best year in history, the decline from last year's record level being the result of an economic slowdown that affected general business activity in Ontario and Quebec during the second half of our fiscal year, as well as the elimination of certain agricultural chemical product lines from our Canadian sales activity. Net income in U.S. dollars dipped to $4,744,000 in 1990 from $4,958,000 in 1989.

While sales volume in Canadian dollars dropped from $236,076,000 in 1989 to $232,421,000 in 1990, the positive effects of a stronger Canadian currency created the equivalent of a sales increase in U.S. dollars, up 1.2% to $196,512,000 from $194,102,000.

	Expressed in Canadian $	*Exchange Rate*	*Expressed in U.S. $*
Sales			
1990	**$232,421,000**	**0.8455**	**$196,512,000**
1989	236,076,000	0.8222	194,102,000
Net Income			
1990	**$5,611,000**	**0.8455**	**$4,744,000**
1989	6,030,000	0.8222	4,958,000

DIVIDENDS

On May 3, 1989, the Board of Directors declared a 50% increase in the regular quarterly dividend on the shares then outstanding, to $0.075 per share per quarter from the $0.050 rate that had prevailed since May 16, 1988. The dividend increase reflected the directors' confidence in the development of the company's operating capacity and financial strength.

Subsequent to the increase in cash payout, the board declared a 100% stock dividend paid November 4, 1989, to shareholders of record October 16, 1989. This stock dividend had the effect of a two-for-one stock split.

The stock split was approved as part of a long-term program to increase the number of outstanding shares in order to make the buying and selling of Univar shares easier and more cost-efficient, and to improve liquidity for the shares.

Adjusted for the split, quarterly dividends declared per share during the fiscal year were as follows:

Declaration Date	*Dividend Per Share*
May 3, 1989	$0.075
June 23, 1989	$0.075
October 20, 1989	$0.075
January 19, 1990	$0.075

The Corporation has paid regular quarterly cash dividends without interruption since 1936.

CHEMCARE

In its first full year of operation, ChemCare™ attained the rate of growth budgeted for the year, and has become a nationally recognized hazardous waste management service. ChemCare provides our U.S. customers with the information and support they need to ensure reliable and competent collection and disposition of the spent by-products their manufacturing or processing operations generate. For our customers it greatly simplifies the complex regulatory paperwork associated with hazardous waste management. This unique service has been very well accepted by a wide variety of customers, ranging from national operations such as Delta Airlines and The Clorox Company, to very small local businesses such as neighborhood dry cleaners. Expansion of this service to Canada is presently under study.

ADMINISTRATIVE FACILITIES

To prepare for future operating requirements of the company, in March 1990 we executed a long-term lease for the development of an office building and adjacent computer center in the Seattle suburb of Kirkland. The new facility will enable us to consolidate into one location all of the corporate and U.S. divisional headquarters executive, staff, and support functions, as well as computer operation and system development activities, and the centralized accounting operations of the Corporation. The computer center will be available for occupancy in the summer of 1990, the office building in 1991.

Development of our new next-generation computer system is proceeding close to schedule. Pilot testing of the new computer system, dubbed "UVX 2000™," was completed in early 1990. Phased-in introduction of the system to all U.S. offices is underway and is expected to be completed by the end of the current fiscal year. To maximize the benefits of that schedule, Van Waters & Rogers Inc.'s regional accounting operations were consolidated in Bellevue, Washington, pending a move to our new facilities in Kirkland.

QUALITY

Since its inception in 1924, our company has established a well-earned reputation for integrity and quality in all aspects of our business.

We believe this reputation provides us a solid foundation for a formalized quality process, and in August 1989 we announced the commencement of a "total quality" training and operations process throughout our company.

By fiscal year end, all members of senior management had attended intensive two-day training sessions at which they learned more about the theory, principles, and even the language of the "quality movement." We are well underway in the process of identifying and training those employees who will be responsible for our in-house quality education effort. Our formalized quality training process is designed to eventually include every employee at every location.

The bedrock of this quality process is the concept that we need to define precisely and reach agreement on the requirements of our customers, our suppliers, and our colleagues in order to improve our ability to deliver exactly what each wants, so as to avoid the costs associated with the correction of errors or incomplete understandings.

The successful implementation of this formal quality process as part of our corporate culture will have important consequences in a company such as ours, where errors not only increase costs but have the potential to produce substantial risks or damages.

IN MEMORIAM

This year of major accomplishments was marked as well by great sadness at the loss of two individuals who played important roles in making our company what it is today.

On February 6, 1990, Mr. Nat S. Rogers, co-founder of Van Waters & Rogers, passed away just a month short of his 92nd birthday. Even after his retirement from the Board of Directors in 1970, Nat Rogers was an active force at Van Waters & Rogers and at Univar. He was a man whose integrity and honesty formed the standard by which we have operated since the company was founded 66 years ago. Nat's role in the development of the Corporation was perhaps best summarized in a resolution of the Board passed on February 23, 1990, which referred to him as "a dominant force at Univar" and closed with the statement, "We owe him a great deal."

In April we noted the death of Edward E. Carlsen, a business and community leader with a national reputation for his abilities as a leader of people. "Eddie" served as a director of Univar from 1976 until 1983, a period of great change and tough decisions. He was an extremely valuable and supportive member of our team throughout that period. Eddie's retirement from the Univar Board of Directors did not end the many friendships he made here. His passing is a loss to us all.

UNIVAR AND THE CHEMICAL DISTRIBUTION MARKET

In addition to the detailed Management Discussion and Analysis, on the following pages you will find a discussion of the role distributors in general play in our economy and a more specific discussion of the Corporation's position as

North America's leading distributor of chemicals. We hope you find this discussion useful in understanding both the industry of which Univar is a part and Univar's role within that industry.

OUTLOOK

Looking forward to the upcoming year, we do not expect significant growth in the economy. The falling chemical prices of the past few months indicate to us a combination of excess capacity in a number of basic chemical products, and also a very low rate of real growth.

Our ability to increase earnings next year will depend on our success in obtaining from our new systems operational improvements that are greater than the training and installation costs to which we are committed. Other factors that will affect the rate of earnings include our future experience in such unpredictable areas as self-insured losses, environmental expenditures, the investment results in our pension plan assets, the value of the Canadian dollar, and potential changes in federal tax policy.

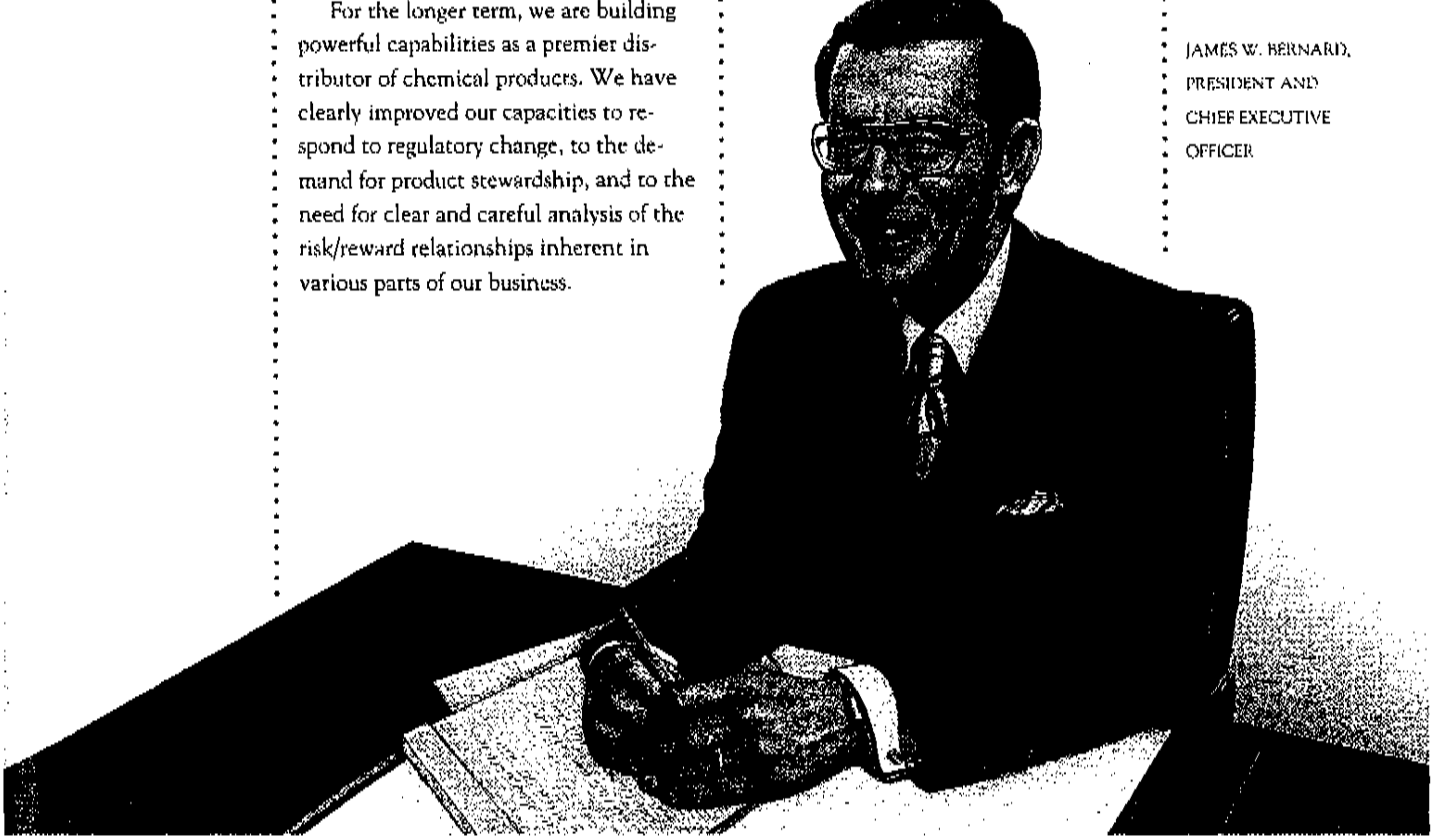
For the longer term, we are building powerful capabilities as a premier distributor of chemical products. We have clearly improved our capacities to respond to regulatory change, to the demand for product stewardship, and to the need for clear and careful analysis of the risk/reward relationships inherent in various parts of our business.

Strengthening of these capabilities, while expensive to undertake, will enable us to retain our position as not only a successful operator, but also a clear leader in an industry that we believe will experience substantial growth and consolidation in the years ahead.

With the support of management, the board, and our customers and suppliers, Univar employees have accomplished a great deal in the past four years. We look forward to expanding and improving that record of accomplishment for the mutual benefit of our employees, our customers, and our shareholders.

Sincerely,

James W. Bernard



JAMES W. BERNARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER

UNIVAR AND THE ROLE OF THE DISTRIBUTOR

Relatively few people understand the distribution industry and its significance in terms of both its size and its contribution to the smooth functioning of a modern economy. All too often in discussions of economic matters, the distributor is dismissed as nothing more than a "middleman," a sort of economic leech who adds cost without providing real service or adding value.

Even the nomenclature surrounding distribution activities is confused. Terms such as "wholesaler," "dealer," "representative," "distributor," and "outlet" are used interchangeably. Whatever the name, however, the activities of those engaged in distribution form an important segment of our economy. Recent figures developed by the National Association of Wholesalers/Distributors indicate that U.S. wholesale distributors:

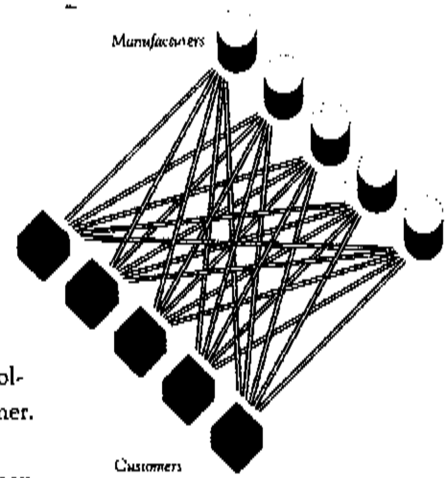
- generate annual sales of $1.6 trillion,
- have total annual payrolls of $140 billion,
- employ 5 million people,
- pay taxes of more than $70 billion, and
- represent more than 5% of America's G.N.P.

Obviously, this industry did not grow to its present size without making real economic contributions to our society — and to our customers and suppliers, as well.

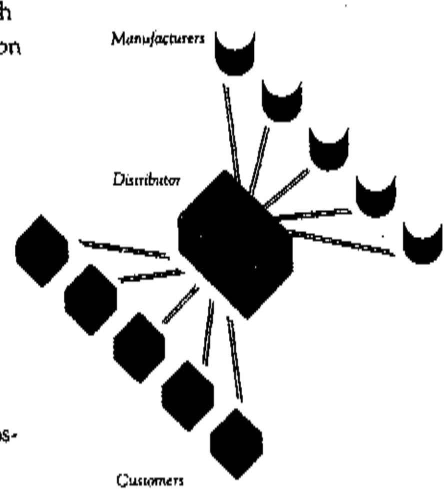
We are often asked, "Why doesn't the manufacturer simply eliminate the middleman and keep the additional profit?" The answer is that — for a number of reasons — the manufacturer cannot provide a competitive level of service to thousands of smaller users of his products.

The first reason is efficiency. The diagrams below may help explain:

Assume that there are five manufacturers, each one selling a single product to each of five customers. Accordingly, each manufacturer is calling on each customer, delivering product to each customer, and billing and collecting from each customer. Each of these interfaces takes time and costs money, and there are twenty-five such interfaces within this group of five buyers and five sellers.



Introducing a distributor drops the number of interfaces dramatically, and the pattern (in which each manufacturer calls on the distributor and the distributor calls on each customer) now looks like this, with the number of interfaces cut to ten.



Because of the mathematics involved, the percentage reduction in the number of possible interfaces increases dramatically as the number of manufacturers and customers in the example increases. For example, in a market consisting of 100 manufacturers and 100 customers, 10,000 interfaces are available, but with the introduction of a distributor, the pattern is simplified to 200 interfaces.

BR000413

The simplification is not purely mathematical; it is logistical, as well. Through a distributor, customers are able to purchase many different products from different manufacturers with one order, one purchase order form, one delivery, and one invoice. Manufacturers are spared the transactional costs and inconvenience of frequent sales calls, deliveries, and billings to a large number of diverse customers of all sizes, spread across a wide geographic area.

Clearly, a corporation like Univar, which sells the products of hundreds of manufacturers to over 100,000 customers throughout the U.S. and Canada, simplifies the flow of information, services, and products between manufacturer and consumer. In doing so, it provides a valuable service to both.

If the first reason for the presence of a "middleman" is logistical and transactional efficiency, then the second is effective use of resources.

Systems of distribution require dedicated capital to build and maintain warehouse and delivery systems. They require working capital to support the investment in inventories and accounts receivable. And they require talented, customer-oriented people to provide service and field support.

Most manufacturers, given an alternative, would prefer to use their resources — both personnel and dollars — for projects that improve manufacturing capacity and lower manufacturing cost, or for research and development efforts aimed at new, unique, or highly profitable specialty products.

Since a manufacturer is not in a position to gain the structural efficiency of the distributor in the diagram above, the alternative of competing as a distributor, selling only his own manufactured goods, is not an attractive one, either in terms of his alternative uses for his capital or in terms of his ability to compete with multi-source distributors.

It is interesting to note that one of the hallmarks of an advanced economy is a well-developed distribution system. It is the distribution portion of the economy that provides the elasticity and response between manufacturing (where it is difficult and expensive to change output levels or product lines quickly) and demand, which can fluctuate wildly. When something becomes an overnight fad, it is the distribution system which reacts to put the product on retailers' shelves immediately and keep it there until the fad passes. Similarly, when unexpected winter weather hits, it is the distribution system that has the local inventories to provide the deicing fluid to keep airplanes flying and the calcium chloride and salt used to control ice on city streets.

In well-developed free economies, the responsibility for making goods available at the level of the consumer — whether that consumer is an individual or an industrial or commercial organization — has been assumed in large part by distributors, who form a vital, growing, and profitable element of our society.

Conversely, underdeveloped economies generally suffer from the lack of a responsive distribution system. In the planned economies of the USSR and Eastern Europe, for example, while goods are produced to a plan, they are typically not available in the right quantities, at the right time of year, at the right quality levels, or where personal or industrial consumers can get easy access to them. The planners are able to produce dams, steel mills, and tractors, but they have been unable to develop a distribution system capable of delivering the products to the place and at the time they are needed.

So does the much-maligned middleman actually contribute anything, or does he simply represent another layer of cost?

Ask the consumer, who elects to buy household goods from a department store or local hardware store, rather than from the manufacturer. The customer values the availability, the selection, and the local inventories.

Our customers — commercial and industrial consumers — are motivated by the same advantages when they buy the chemicals their manufacturing and production processes require.

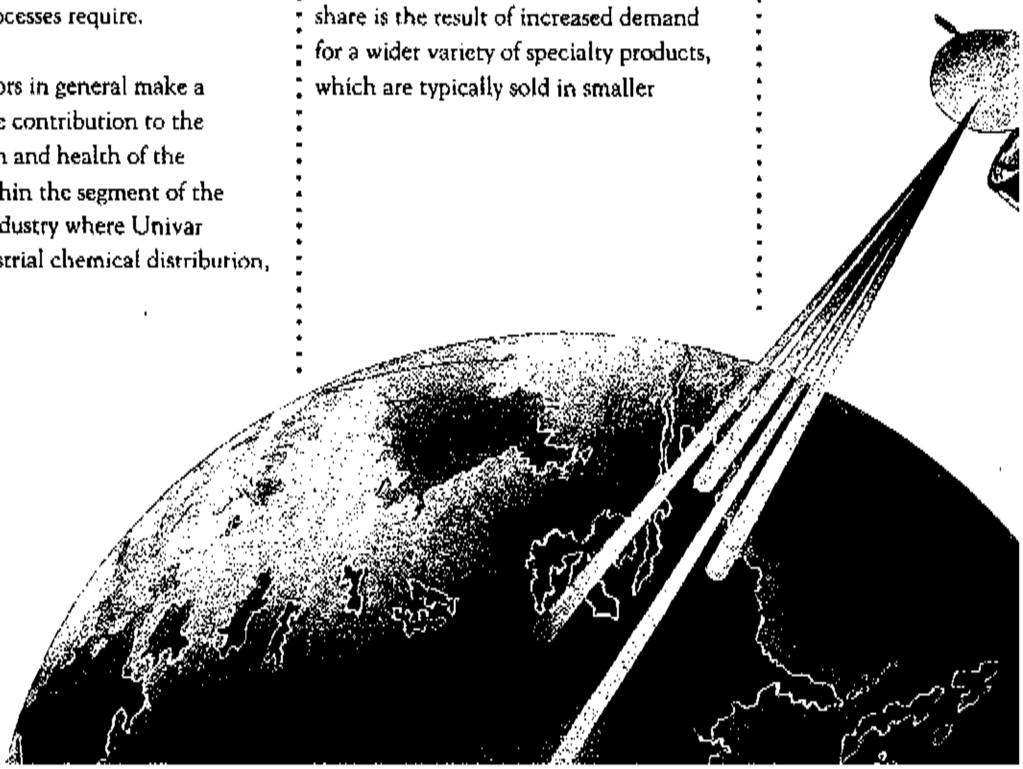
Distributors in general make a valuable contribution to the function and health of the economy. Within the segment of the distribution industry where Univar operates, industrial chemical distribution, the contribution is even more pronounced, for the reasons discussed below.

In the discussion of the industrial chemical distribution market that follows, the figures relating to the size of the markets and the number of competitors involved are taken from sources which have focused on the United States markets available to Van Waters & Rogers Inc. and do not include Canada. However, the Canadian market is very similar in structure, although chemical distribution activity in that country is at only about 10% of the level of that in the U.S. Thus a combined U.S./Canada analysis would involve increasing the industry figures provided below by approximately 10%.

Although the chemical manufacturing industry has a real growth rate that continually outperforms the G.N.P., an increasing proportion of its output is being sold through distributors. As a result, chemical distributor sales are estimated to be increasing at a rate 15%-20% above that of the chemical manufacturing industry, a continuation of a long-term trend of distributors increasing their total percent of market share.

The distributors' increasing market share is the result of increased demand for a wider variety of specialty products, which are typically sold in smaller

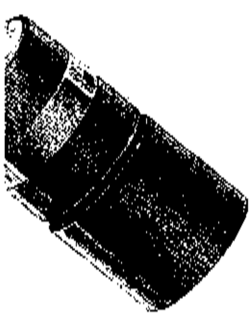
WITH NEXT-GENERATION COMPUTER TECHNOLOGY AND SATELLITE LINKS, OUR NEW "UVX 2000" COMPUTER NETWORK WILL FORM THE BASIS FOR OUR BUSINESS INFORMATION AND TRANSACTION NEEDS, AS WELL AS ENABLING US TO PROVIDE IMPORTANT VALUE-ADDED SERVICES TO OUR CUSTOMERS.

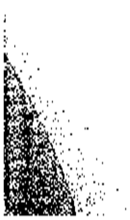


quantities; an increasing interest on the part of manufacturers in using their financial and organizational capabilities to focus on improved manufacturing and R&D; and the increasing levels of complication required to operate a field distribution system under successive waves of federal, state, and local regulation. Chemical manufacturers in general are electing to concentrate their efforts on activities aimed at obtaining the sustained competitive advantages available to the low-cost producers with the most effective new product development programs.

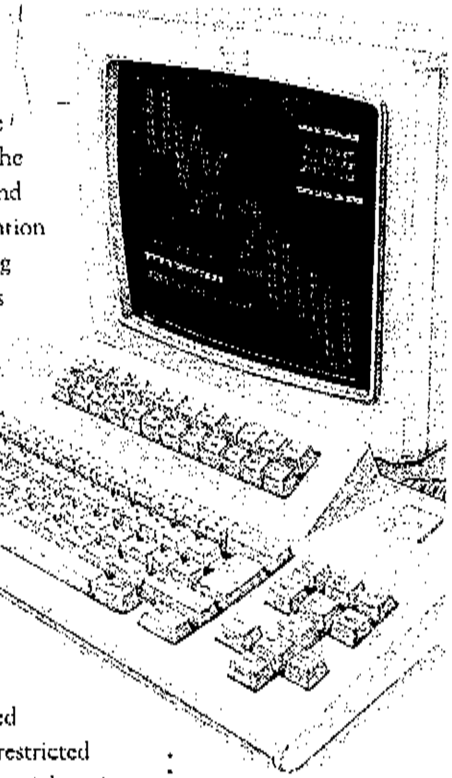
The U.S. chemical industry produces approximately $278 billion of product annually. Of this production, we estimate that $14 billion, or approximately 5%, is sold through almost 1,000 distributors.

- Univar's U.S. subsidiary, Van Waters & Rogers Inc., is the largest single entrant in this distribution market, with sales of approximately $1.2 billion.
- The top 50 competitors make up slightly over 50% of the market. The balance of the sales is shared by some 950 companies with total sales of approximately $6.7 billion.
- Of the top five companies, two are affiliates of oil companies, two are pure distributors (Univar is in this category), and one is affiliated with a chemical manufacturer. Of the five, four are publicly held and one is private. Below the top 50 companies, the industry, with few exceptions, is privately held and engaged solely in distribution.





The larger participants in the market are generally growing faster than their smaller counterparts, as the number of participants in the industry is being reduced and the trend toward concentration is moving at an accelerating pace. The principle reasons for this concentration are as follows:



- Fewer companies are entering into the chemical distribution business. A dramatically increased volume of regulations, restricted insurance capacity, potential environmental liabilities, and lenders' concerns have made start-up of a chemical distribution operation considerably less attractive.
- The cost of regulatory compliance is steep for those already in the chemical distribution business. A vast body of regulations has been enacted at virtually every level of government within the past few years, covering health, safety, drug control, environmental, storage, transportation, labeling, and public and worker right-to-know. This requires a larger and larger base of profitable sales to cover the cost of the technical, legal, and operations expertise necessary to support the business. As these pressures increase, the smaller competitors in the market will be forced into mergers or be acquired by larger companies so as to attain the critical mass necessary for profitable performance.

- Insurance is expensive, and some types of insurance (for example, environmental liability) are almost impossible to obtain. The private owner of a chemical distribution company, who often has substantially all of his net worth tied up in his business, is therefore uncomfortably exposed, since no matter how well operated his company may be, the potential for major uninsured loss is always present.
- Companies attempting to withdraw from the chemical distribution business face hurdles in disposing of real estate that has been used for chemical storage and handling. Similar problems relate to the selling of the companies in a stock transaction, because a sale of the corporation's stock (rather than its assets) may transfer undefined liabilities to the successor ownership.

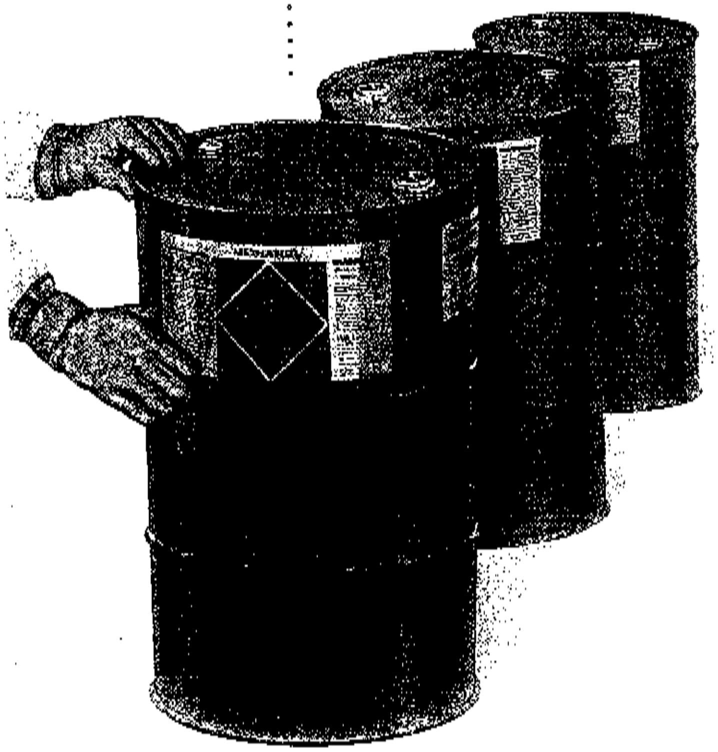
Consultants who follow the industry are also anticipating an increased level of "partnering" between chemical manufacturers and their distributors. As this trend develops, it is expected that manufacturers will sell their products to a more limited number of distributors who can provide better strength in such areas as product stewardship, safety, quality control, operational expertise, insurability, and financial strength.

These factors position Univar well for future growth. We are the market leader in an industry that has several trends supporting a highly favorable growth rate and that also is significantly less cyclical than the chemical manufacturing industry.

As a publicly held and financially strong company, we have access to the capital markets, so that financing for worthwhile projects or growth is consistently available. These financial capacities are important to our suppliers in their selection of distribution arrangements and to our customers, who look for our ability to keep up with the latest technologies, maintain full-service facilities, and carry inventories and accounts receivable even in times of difficult business conditions.

Last, and perhaps most important, we have assembled a team of highly motivated and qualified employees who provide the expertise necessary to maintain our leadership in this increasingly complex world. The Corporation is involved in a proactive effort to capitalize on its strengths in preparing for the chemical distribution industry of the future.

Over the past two years we have been engaged in an exciting project that we believe will revolutionize the way we do business. The development of our new next-generation UVX 2000 computer system has required a major commitment of the Corporation's resources, but we believe the investment is a wise one. With the completion early in 1990 of



THE SAFE, EFFICIENT HANDLING OF ALL PRODUCTS, DRY OR LIQUID, IS A TOP PRIORITY. IN ADDITION TO RIGOROUS TRAINING AND STRICT PROCEDURES, THE COMPANY HAS AN ON-GOING PROGRAM OF UPGRADING EXISTING FACILITIES AND BUILDING NEW ONES TO ACCOMODATE INCREASINGLY STRINGENT ENVIRONMENTAL STANDARDS.

successful pilot testing of the satellite-supported computer network and the software that will power our day-to-day business systems, we are expanding our focus to develop new ways of harnessing UVX 2000's capacities to improve our business operations and planning functions.

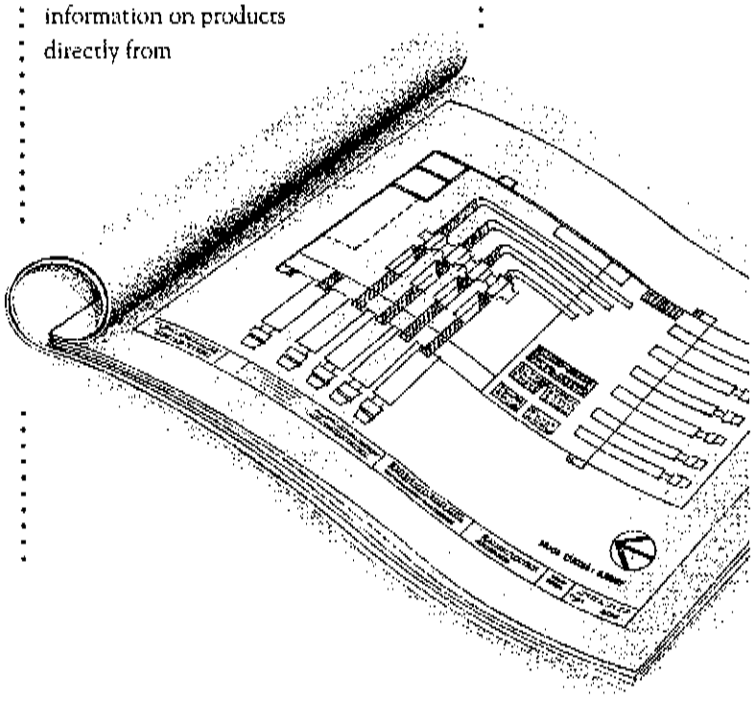
For example, adapting mathematical operations research models to the customer service functions of chemical distribution will allow us to utilize the extensive hardware capabilities of UVX 2000 to minimize inventory stocking, while maximizing our ability to supply our customers' requirements correctly the first time.

We are currently taking a leadership position in the development of an industrywide program which will introduce a single bar code identification standard into the labeling of chemical products. These standards, when complete and in wide use, will greatly simplify the interface between product, accounting system, and purchase/sale documentation. While widely used in the grocery and retail industries, the use of bar coding is new to our chemical operations.

In addition, we are in the early stages of developing operational technology that integrates computer capability with bar coding and scanning devices in the customer order picking and shipping functions within our own warehouses. The technology will increase our warehousing and delivery efficiency by simplifying order picking processes and minimizing paperwork and the chance for human error.

An increasing proportion of our business, with suppliers and customers alike, is done on a computer-to-computer basis. Electronic Data Interchange, or EDI, reduces the potential for human error inherent in a transaction which may involve several layers of transferring and copying information. The capabilities of our new system will enable us to expand our use of EDI, generating more efficiencies and savings in operating costs, while further reducing error.

A major element of our product stewardship program, the Material Safety Data Sheet, or MSDS, provides updated information on the technical specifications, relevant health and safety precautions, and emergency medical treatment information relating to each of the thousands of chemical products we distribute. These sheets are issued to customers upon first purchase of a product and are reissued at least once a year, or whenever there is any change to the technical data on the MSDS. The manual or semiautomated development, updating, and distribution of MSDSs has been greatly simplified by our move to a computer-generated MSDS system. We intend to streamline the process further, and are pilot testing the use of Electronic Data Interchange to receive MSDS information on products directly from



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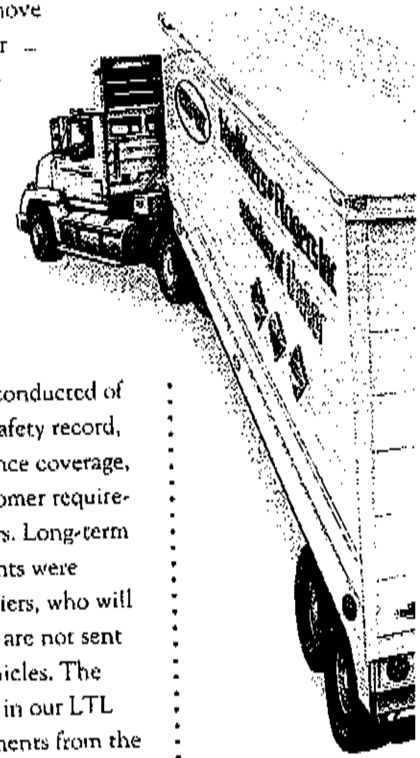
manufacturers' computers rather than manually receiving and re-entering the data.

The concept of developing strategic alliances with major suppliers is an important part of the Corporation's Strategic Vision, which was discussed in detail in our 1988 annual report to shareholders. Since then we have been developing and strengthening alliances, which are based on using the combined experience and insight of Univar and its suppliers to develop innovative solutions to common challenges and common needs. Already, we have seen positive results.

We have improved our operations through sharing a number of ideas with our supplier partners, and have improved stewardship efforts that focus on increasingly stringent facility audits. We are working with suppliers to develop innovative approaches that will serve densely populated and highly regulated markets more efficiently. We are also testing the use of new packaging options for liquid chemicals that minimize the problems associated with cleaning, disposal, or reconditioning of traditional metal drums.

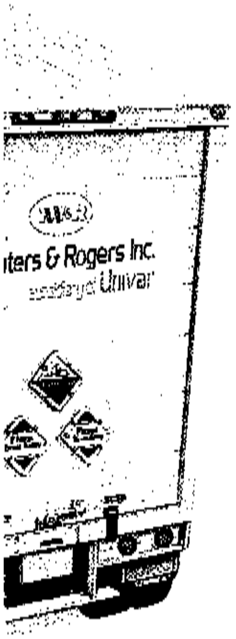
In addition to the strategic alliances being developed with suppliers, Univar is actively involved in a number of both distributor and chemical industry associations. These provide a forum for sharing and implementing ideas that will provide for better performance and improved reliability in customer service, and for developing industry operating standards intended to raise the level of safety and environmental performance across the full spectrum of companies in the industry.

Substantial effort has gone into ensuring that our products move from source to customer over the most reliable transportation network possible. We recently completed the first phase of a major analysis of our use of common carriers, focusing initially on those used for less-than-truckload (LTL) orders. An exhaustive evaluation was conducted of 30 carriers, assessing their safety record, financial soundness, insurance coverage, management stability, customer requirements, and other key factors. Long-term "partnershipping" agreements were signed with the top 12 carriers, who will handle LTL deliveries that are not sent out on our own fleet of vehicles. The result is significant savings in our LTL costs, and service commitments from the carriers, which will enable us to provide customers with the quality response they demand.



Our ability to satisfy the special requirements of customers — through custom blended or packaged products, or with "just in time" deliveries that minimize customer inventories — is critical to the customer who either because of physical limitations of his own facilities or because of his unique manufacturing processes requires special service.

We are always looking for ways to improve the service we provide. One area of particular interest is the packaging of the products we sell. As a result, we currently are pilot testing entirely new container technology for use in our bulk liquid delivery systems. Innovations tested successfully in one product segment will find useful applications in other product and market segments, as well.



USING A TRANSPORTATION NETWORK CONSISTING OF OUR OWN FLEET OF MORE THAN 1,200 VEHICLES AND 12 MAJOR COMMON CARRIERS, WE DELIVER CHEMICAL PRODUCTS FROM MORE THAN 100 VW&R CHEMICAL DISTRIBUTION FACILITIES TO CUSTOMERS THROUGHOUT NORTH AMERICA.

Our hazardous waste management service, ChemCare, also was designed to help meet the special needs of chemical users. ChemCare helps our customers solve a series of difficult legal and regulatory challenges they face in the disposition of the waste or spent chemicals their processes generate.

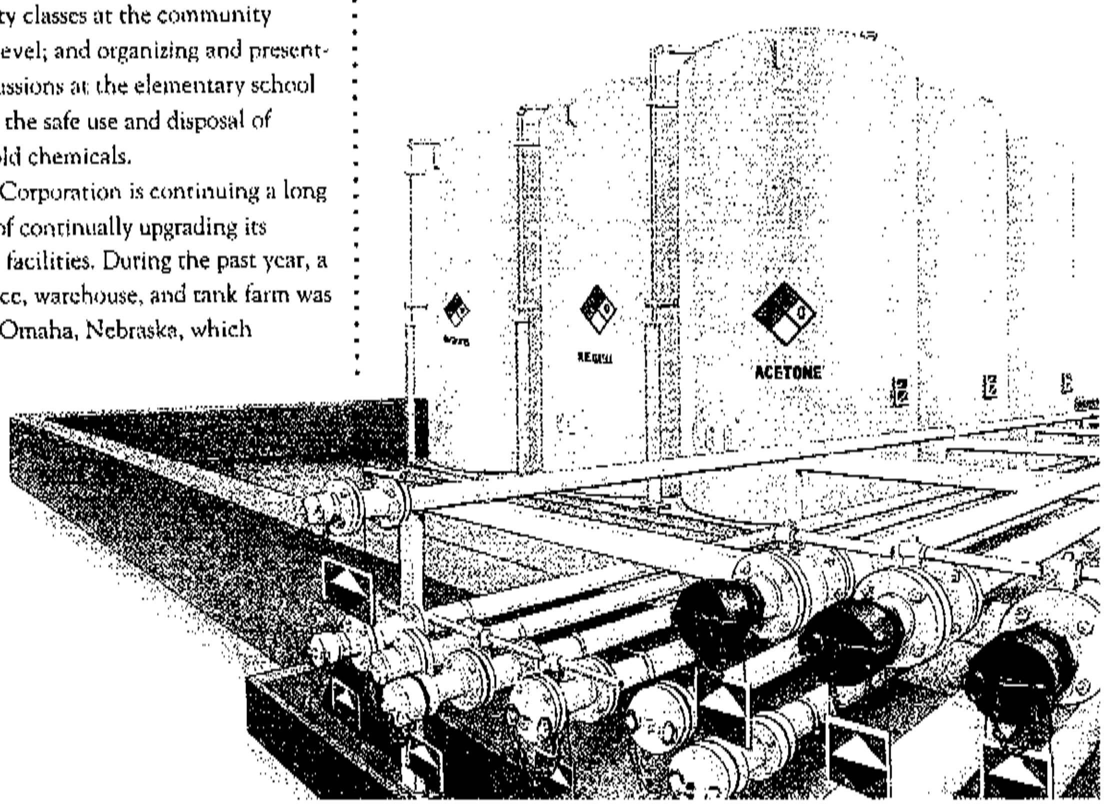
Univar is a participant in Responsible Care™, an industry initiative sponsored by the Chemical Manufacturers Association that addresses public concerns about health, safety, and environmental issues, and mandates specific codes of management practice and standards for reducing emissions, transporting chemicals, establishing emergency planning procedures, and other key issues.

As part of its ongoing commitment to good citizenship and responsible product care, Univar encourages employee participation in activities directed toward improved safety relating to usage of chemical products. Examples of this involvement include: assisting in the training of local fire departments and other "first responders" in effective response to emergency situations involving chemicals; teaching product handling and safety classes at the community college level; and organizing and presenting discussions at the elementary school level on the safe use and disposal of household chemicals.

The Corporation is continuing a long history of continually upgrading its physical facilities. During the past year, a new office, warehouse, and tank farm was built in Omaha, Nebraska, which allowed for the consolidation of the dual operations that had been in place there since our 1986 acquisition of McKesson Chemical Co.

Construction began on new facilities in Carencro, Louisiana, and Winnipeg, Manitoba, and design work is currently underway for major plant replacement projects in the Los Angeles area and in Montreal. The Corporation's financial strength is a vital factor in our ability to continuously replace and upgrade our facilities for safe, efficient, and environmentally sound operations.

All of these activities are being undertaken with the objective of preserving and enhancing our leadership in the chemical distribution industry. We believe that they help to demonstrate our commitment to good corporate citizenship and to responsible, ethical operations. Over the long term, our consistent pursuit of these objectives has benefited and will continue to benefit our shareholders and employees by benefiting our communities and our customers.



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales in the fiscal year ended February 28, 1990, were $1,378,864,000, 5% higher than in 1989, reflecting a relatively flat economy in the U.S. and Canada. Real volume increases for the year of approximately 3.4% represented our continued penetration into certain target markets as well as the result of a small acquisition during the year. Inflation, at 1.6%, was substantially lower than in recent years.

Gross margin percentage, at 14.9%, was up 0.5% from the prior year, reflecting a slight change in our mix of business to a higher proportion of through-warehouse business, which carries higher gross margins and correspondingly higher operating expense loads, as compared to direct carload business.

Operating expenses as a percent of sales were 11.5% in 1990 as compared to 11.1% the prior year, the result of the change in business mix discussed above, coupled with additional operating expense loads in the areas of safety, quality, environmental responsibility, and compliance with a highly complex and rapidly expanding regulatory system, all of which are necessary to retain our leadership position in our industry. Although they have contributed to higher operating expense levels, these investments in our business are necessary to adequately fund our response to increasingly high expectations of the public.

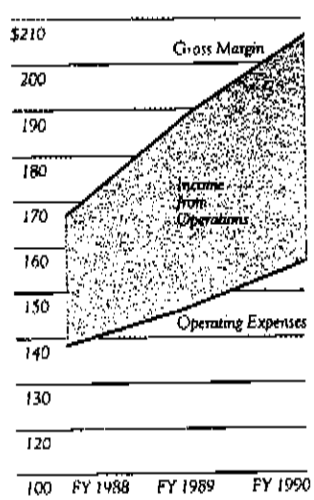
Interest expense for 1990 increased approximately $1,666,000 from the prior year, primarily as a result of higher overall average interest rates, partially offset by interest costs on certain projects that were capitalized.

Net income in 1990 was $21,545,000, up 8% from 1989, marking the second consecutive year of record earnings. These results, which were achieved despite a low-growth economy and the increased expense loads discussed above, underscore our continued success in assimilating the operations of McKesson Chemical Co., acquired in November 1986.

The relatively stronger economy of 1989 compared to 1988 was reflected in 1989 sales of $1,307,865,000, 17% higher than in 1988. The Corporation made significant gains in market share during 1989, as approximately 9% of the increased sales levels resulted from real volume increases.

Gross margin percentage in 1989 was 14.4%, or approximately 0.5% below the gross margin percentage of the prior year. This decline in gross margin percentage was almost entirely the result of a decline in the percentage of warehouse sales from 1988 to 1989. Warehouse sales, as mentioned above, carry higher gross margin percentages along with correspondingly higher operating expense loads. As a result of the change in the mix of our business and other post-acquisition efficiencies, operating expenses in 1989 were 11.1% of sales as compared to 12.3% of sales the prior year.

GROSS MARGIN AND OPERATING EXPENSES
(millions of dollars)



Interest expense, $11,443,000 in 1989 as compared to $10,315,000 in 1988, was up, primarily as a result of increased average interest rates during the period.

Net income in 1989 was $19,973,000, up 79% from the 1988 level, which had been adversely affected by acquisition-related costs. This performance reflected the overall strength in the economy in 1989, coupled with significant market share gains made by the Corporation during the year.

EFFECTS OF INFLATION

For many years, the Corporation has been able to pass along through increased selling prices cost increases due to inflation. We see no reason to assume that this ability will deteriorate.

Inflation accounted for approximately 1.6%, 8%, and 2% of sales increases in 1990, 1989, and 1988, respectively. Since the Corporation uses the LIFO method of inventory valuation, cost of sales reported in the consolidated statements of income approximates current costs, and matches those costs against current selling prices.

Although we have seen continuing inflation over the last several years, the Corporation generally maintains monetary liabilities in excess of its monetary assets. This position may be viewed as a hedge against the effects of inflation, since the Corporation will be able to repay its net liabilities with inflated dollars.

INCOME TAXES

The Tax Reform Act of 1986 reduced the Corporation's top federal statutory tax rate to 34% in 1990 and 1989 from 38% in 1988. The Corporation's combined federal, state, and Canadian effective tax rate was 40.2% in 1990, 41% in 1989, and 47.9% in 1988. The 1990 and 1989 figures reflect lower effective tax rates experienced in our Canadian operations and lower U.S. statutory rates, as compared to 1988.

In December 1989, the Financial Accounting Standards Board (FASB) issued a new statement that allowed for further delay in the implementation of its standard on accounting for income taxes until fiscal years beginning after December 15, 1991. The Corporation has elected to defer adoption of this standard pending final resolution by FASB of several key issues, and anticipates adopting the standard in its fiscal year 1993. Management does not believe that the adoption of this standard will have a material effect on the Corporation's results of operations or financial condition.

LIQUIDITY AND CAPITAL RESOURCES

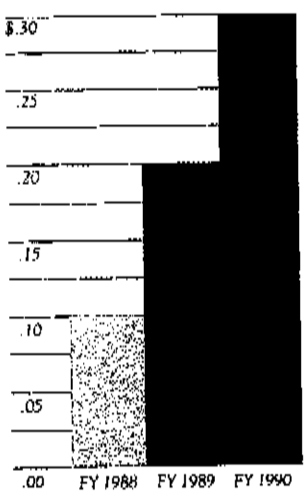
Cash provided by operations in 1990 was $56,230,000 and was used, together with outside borrowings, to finance the Corporation's growth, capital expenditures, acquisition of businesses, and payment of dividends. Total interest-bearing debt at fiscal year end 1990 was $130,223,000, as compared to $117,673,000 at 1989 and $120,932,000 at 1988. The Corporation's ratio of total debt to equity was 0.99:1 at fiscal year end 1990, 1.03:1 at 1989, and 1.26:1 at 1988. The declining debt-to-equity ratio reflects the Corporation's record earnings in the last two years. Combined with increasingly strong cash flows from operations, this allowed the maintenance of relatively stable debt loads during the period. The increase in debt at 1990 over 1989 was used to finance the Corporation's continued investment in its new computer system, which will be installed during the fiscal year ending in 1991. This capitalized investment is included on the balance sheet as part of Construction in Progress for 1990.

The net of trade receivables, FIFO inventories, and trade accounts payable was approximately $127,176,000 at year end 1990, $122,949,000 at 1989, and $96,655,000 at 1988. The approximate 32% increase since 1988 relates primarily to increased trade accounts receivable, arising from growth in sales during the period.

At year end 1990, the Corporation's current ratio was 1.35:1, compared to 1.33:1 at 1989, and 1.40:1 at 1988. All of these ratios are well within our target ranges.

Dividends declared per share of common stock totaled $0.30 in 1990, $0.20 in 1989, and $0.10 in 1988. The Corporation's regular quarterly cash dividend has been raised twice in the past two years, from $0.025 to $0.05 per share in the second quarter of the year ended 1989, and to $0.075 in the second quarter of the year ended 1990. Per share figures throughout this report have been adjusted to reflect the two-for-one stock split made effective in November 1989 through the payment of a 100% stock dividend.

ANNUAL DIVIDEND PAYOUT
(per share)



Common stock dividends as a percentage of earnings per share were 25% in 1990, 18% in 1989, and 16% in 1988. The increase in cash dividends as a percentage of earnings reflects the Board of Directors' confidence in the development of the Corporation's operating capacity.

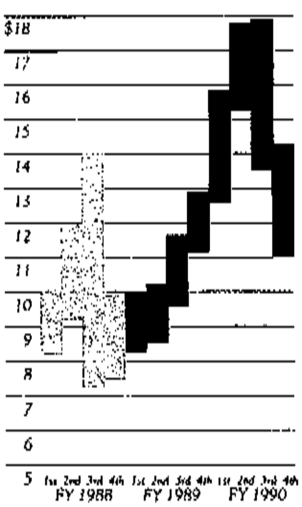
Return on beginning equity was 18.8% in 1990, 20.8% in 1989, and 13.1% in 1988. The decline in the rate for the 12 months ended February 28, 1990, reflects the relatively static condition of the economy. This economic climate limited our earnings gains while our equity base continued to increase as a result of regular additions to retained earnings. The increase for 1989 over 1988 reflects the strong state of the economy in the year ended February 28, 1989, and substandard performance in 1988 resulting largely from expense loads related to our acquisition in late 1986 of McKesson Chemical Co.

We continue to have a substantial volume of excess capital — in the form of real properties held for sale and long-term receivables — that is not actively employed in the business. Principal among these are excess land in the Los Angeles area and a former distribution facility in Dallas, Texas. When redeployed, this capital will allow us to further reduce borrowing levels and associated interest costs.

The Corporation has unused short-term bank lines available that are adequate to fully support its normal operating requirements. In addition, the Corporation has maintained long-term credit facilities in excess of current requirements. These credit facilities, combined with cash flow from operations and the proceeds from the sale and disposal of excess capital, will, in management's opinion, provide adequate funding for all anticipated short- and long-term growth requirements of the Corporation's balance sheet.

Capital expenditures were $37,573,000 in 1990 as compared to $9,563,000 in 1989. The increase is primarily the result of the continued development of our in-house computer system, which the Company anticipates will be the basis for our internal systems into the next century. Capital expenditures for the year ended 1988, at $17,745,000, included a major purchase of land for a planned facility in the Los Angeles area.

STOCK PRICE INFORMATION
(per share)



Capital expenditures of approximately $25,000,000 are budgeted for the year ended 1991, and are expected to be financed from internally generated cash, supplemented as required by existing credit facilities.

The closing price for Univar shares on the New York Stock Exchange on February 28, 1990, was $12.25, a 48% increase over the $8.25 share price on the same date three years earlier. During the same period, the Dow Jones Industrial Average rose to 2,627 from 2,224, an 18% increase, and the Standard and Poor's 500 rose to 332 from 284, a 17% increase.

ENVIRONMENTAL COSTS

Some risk to the environment is associated with the Corporation's operations, as with other companies engaged in this or similar businesses. The Company complies with current standards relating to the handling, storage, and transportation of hazardous materials and in general with laws and regulations intended to protect the environment. Compliance with these increasingly stringent environmental and safety regulations is expected to result in higher expenditures for capital and operating expense items. Future expenditures that may be required are undefined. Their impact on future results of operations cannot be estimated because of the uncertainty which continues to exist as a result of evolving requirements, the selection of technology to meet compliance standards, and the cost and timing of these expenditures.

INDUSTRY CONCENTRATION

A trend toward industry concentration has been evident for some years in the chemical distribution industry, and management believes that this trend will accelerate during the 1990s.

We do not believe that the continuation of the trend toward industry concentration will be detrimental to companies like Univar, which are committed to the business, have the sales volume and financial and technical strength required to respond to the various demands of the market, and have ownerships that look to the public market for the company's shares as the source of their investment liquidity.

BR000424

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended February 28/29 (Thousands of dollars)	*1990*	*1989*	*1988*
Sales	**$1,378,864**	$1,307,865	$1,117,309
Cost of Sales	**1,173,134**	1,120,139	950,464
Gross Margin	**205,730**	187,726	166,845
Operating Expenses	**158,662**	145,560	137,589
Income from Operations	**47,068**	42,166	29,256
Other Income(Expense):			
Interest on borrowed capital (Note 1)	**(13,109)**	(11,443)	(10,315)
Gain (loss) on sale of assets	**(90)**	(152)	526
Other — net	**2,163**	3,286	1,969
Income Before Provision for Taxes on Income	**36,032**	33,857	21,436
Provision for Taxes on Income (Notes 1 & 8)	**14,487**	13,884	10,273
Net Income	**$ 21,545**	$ 19,973	$ 11,163
Net Income Per Share (Note 1)	**$ 1.22**	$ 1.13	$ .64

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended February 28/29 (Thousands of dollars)	**1990**	1989	1988
Cash Flows Provided (Used) by Operating Activities			
Net income	**$ 21,545**	$ 19,973	$ 11,163
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	**14,383**	13,788	13,693
Deferred taxes on income	**9,658**	1,703	(2,743)
Deferred liabilities and credits	**(1,864)**	(1,657)	2,752
Other — net	**582**	(82)	415
Change in assets and liabilities, net of effect of businesses acquired:			
Accounts receivable	**(4,703)**	(22,601)	(13,957)
Inventories	**4,274**	5,504	(20,636)
Accounts payable	**5,301**	684	22,152
Other current assets — net	**757**	1,174	921
Other current liabilities — net	**6,297**	4,815	12,305
Net Cash Provided (Used) by Operating Activities	**56,230**	23,301	26,065
Cash Flows Provided (Used) by Investing Activities			
Proceeds from investments	**4,577**	2,748	1,188
Payment for purchase of investments	**(938)**	(15,241)	(3,465)
Additions to property, plant, and equipment — net	**(37,573)**	(9,563)	(17,745)
Acquisition of businesses	**(16,959)**	(3,533)	—
Change in other assets — net	**603**	305	(189)
Net Cash Provided (Used) by Investing Activities	**(50,290)**	(25,284)	(20,211)
Cash Flows Provided (Used) by Financing Activities			
Short-term borrowing — net	**(8,172)**	17,651	(10,114)
Exercise of stock options	**78**	115	64
Long-term debt incurred	**35,000**	20,000	15,397
Reduction in long-term debt	**(22,233)**	(31,918)	(2,823)
Payment of dividends	**(4,813)**	(3,051)	(1,737)
Net Cash Provided (Used) by Financing Activities	**(140)**	2,797	787
Net Cash Provided (Used)	**5,800**	814	6,641
Cash and cash equivalents at beginning of year	**7,455**	6,641	—
Cash and Cash Equivalents at End of Year	**$ 13,255**	$ 7,455	$ 6,641
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for:			
Interest (net of capitalized interest)	**$ 12,497**	$ 10,638	$ 10,323
Income taxes	**$ 5,608**	$ 13,115	$ 8,019

The accompanying notes are an integral part of these statements.

BR000426

CONSOLIDATED BALANCE SHEETS

February 28 (Thousands of dollars)	1990	1989
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 13,255**	$ 7,455
Receivables—		
Trade accounts (less allowance for losses of $2,100 in 1990 and $1,800 in 1989)	**154,529**	143,845
Other	**6,901**	8,132
Inventories (Note 2)	**97,609**	97,532
Prepaid expenses and other assets	**3,360**	2,691
Total current assets	**275,654**	259,655
Real Properties Held for Sale and Long-Term Receivables	**29,682**	33,671
Property, Plant, and Equipment (Notes 1, 3, & 10)		
Land	**17,394**	15,260
Buildings	**62,681**	53,788
Equipment	**120,149**	105,245
Leased property under capital leases	**5,082**	6,558
Construction in progress	**24,225**	8,821
	229,531	189,672
Less accumulated depreciation	**67,088**	54,351
Net property, plant, and equipment	**162,443**	135,321
Other Assets (Note 11)	**9,629**	2,781
	$477,408	$431,428

The accompanying notes are an integral part of these statements.

BR000427

	1990	1989
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank checks outstanding less cash in bank	**$ 4,120**	$ 8,669
Notes payable (Note 9)	**8,154**	11,777
Current portion of long-term debt	**5,870**	2,464
Accounts payable	**148,455**	140,463
Accrued payroll and other liabilities	**37,115**	32,543
Total current liabilities	**203,714**	195,916
Long-Term Debt, less current portion (Notes 3, 9, & 10)	**116,199**	103,432
Deferred Items		
Deferred taxes on income (Notes 1 & 8)	**10,475**	817
Other deferred liabilities and credits (Notes 1 & 12)	**15,140**	16,535
Total deferred items	**25,615**	17,352
Commitments and Contingencies (Notes 10 & 12)		
Shareholders' Equity (Notes 1 & 5)		
Preferred stock, no par value		
Authorized 750,000 shares	—	—
Common stock, par value $.33⅓ per share		
Authorized — 40,000,000 shares		
Issued — 20,118,502 shares in 1990 and 1989	**6,706**	3,354
Additional paid-in capital	**39,057**	42,059
Retained earnings	**95,229**	78,938
Cumulative translation adjustment	**1,469**	1,311
Treasury stock, at cost, 2,597,802 shares in 1990		
and 2,658,286 in 1989	**(9,857)**	(10,055)
Deferred stock compensation expense	**(724)**	(879)
Total shareholders' equity	**131,880**	114,728
	$477,408	$431,428

BR000428

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Three Years Ended February 28, 1990 (Thousands of dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock	Deferred Stock Compensation Expense	Total Shareholders' Equity
Balance, February 28, 1987	$3,340	$41,378	$53,028	$(1,808)	$(10,142)	$(728)	$ 85,068
Net income	—	—	11,163	—	—	—	11,163
Exercise of stock options	2	55	—	—	7	—	64
Stock awards (1,900 shares)	1	37	—	—	—	(38)	—
Cash dividends at $.10 per share	—	—	(1,737)	—	—	—	(1,737)
Foreign currency translation adjustment	—	—	—	1,584	—	—	1,584
Deferred stock compensation expense	—	—	—	—	—	112	112
Balance, February 29, 1988	3,343	41,470	62,454	(224)	(10,135)	(654)	96,254
Net income	—	—	19,973	—	—	—	19,973
Exercise of stock options	—	35	—	—	80	—	115
Stock awards (32,374 shares)	11	554	—	—	—	(565)	—
Cash dividends at $.20 per share	—	—	(3,489)	—	—	—	(3,489)
Foreign currency translation adjustment	—	—	—	1,535	—	—	1,535
Deferred stock compensation expense	—	—	—	—	—	340	340
Balance, February 28, 1989	**3,354**	**42,059**	**78,938**	**1,311**	**(10,055)**	**(879)**	**114,728**
Net income	—	—	**21,545**	—	—	—	**21,545**
Exercise of stock options	—	**24**	—	—	**54**	—	**78**
Stock awards (38,138 shares)	—	**326**	—	—	**144**	**(470)**	—
Cash dividends at $.30 per share	—	—	**(5,254)**	—	—	—	**(5,254)**
Two-for-one stock split	**3,352**	**(3,352)**	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	**158**	—	—	**158**
Deferred stock compensation expense	—	—	—	—	—	**625**	**625**
Balance, February 28, 1990	**$6,706**	**$39,057**	**$95,229**	**$ 1,469**	**$ (9,857)**	**$(724)**	**$131,880**

The accompanying notes are an integral part of these statements.

BR000429

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 • SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

TRANSLATION OF CANADIAN CURRENCY

The accounts of the Canadian subsidiary are translated in accordance with Statement of Financial Accounting Standards No. 52, which requires that foreign currency assets and liabilities be translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment in shareholders' equity. Realized gains and losses from foreign currency transactions are included in net income for the period.

PROPERTY, PLANT, AND EQUIPMENT

Expenditures for property, plant, and equipment and for renewals and betterments that extend the originally estimated economic lives of assets are capitalized at the related cost. Expenditures for maintenance, repairs, and other renewals are charged to expense. The Corporation's property accounts are maintained, for the most part, in multiple asset accounts. In the case of normal dispositions, the cost of property sold or retired is removed from the property account and charged to accumulated depreciation and no gain or loss is recorded. In the case of significant dispositions, gain or loss is recognized.

For financial reporting purposes, depreciation has been provided using the straight-line method over the estimated useful lives of the related assets. For income tax purposes, depreciation on certain assets is computed using accelerated methods.

In accordance with Statements of Financial Accounting Standards Nos. 34 and 62, interest costs have been capitalized on major construction projects while in progress. Interest costs of approximately $1,294,000, $738,000, and none, for fiscal years 1990, 1989, and 1988, respectively, have been capitalized in the cost of new facilities.

SELF-INSURANCE RESERVES

The Corporation retains certain exposures in its insurance plan under various deductible or self-insured programs. Reserves for claims made are recorded at estimated costs as current liabilities. Reserves for estimated claims incurred but not yet reported are recorded as deferred credits.

INCOME TAXES

Income taxes are provided for all items included in the consolidated statements of income regardless of the period when such items will be deductible for tax purposes. The principal timing differences between financial and tax reporting arise from depreciation, self-insurance reserves, software development, and environmental reserves. Investment tax credits have been recognized under the flow-through method, as a tax reduction in the year in which they became available.

Accumulated undistributed earnings after taxes for the Canadian subsidiary amounted to approximately $40,700,000 at February 28, 1990. No provision for Canadian withholding or United States federal income taxes is necessary, as it is management's intention that dividends will be paid only under circumstances which will not generate additional net tax cost.

EARNINGS PER SHARE

Earnings per common share are based on the weighted average number of shares outstanding during each year (17,728,232 for 1990, 17,603,420 for 1989, and 17,528,686 for 1988). There is no material dilution due to outstanding stock options.

Historical share data have been restated to reflect the effect of a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.

STATEMENT OF CASH FLOWS

The Corporation considers cash on hand, certificates of deposit, and short-term marketable securities as cash for purposes of the statements of cash flows. The effect of changes in foreign exchange rates on cash balances is not significant. Certain reclassifications have been made in the prior year's statements to conform to the current year's presentation.

NOTE 2 • INVENTORIES

Inventories consist primarily of finished goods. The method of valuation of inventories at balance sheet dates was as follows:

(Thousands of dollars)	*1990*	*1989*
At Cost (last-in, first-out method)	**$78,025**	$79,256
At Lower of Cost or Market (average-cost method)	**19,584**	18,276
	$97,609	$97,532

If the inventories valued on the LIFO method had been valued at first-in, first-out (FIFO) costs, they would have been $23,493,000 and $22,035,000 higher than reported at February 28, 1990, and February 28, 1989, respectively.

NOTE 3 • LONG-TERM DEBT AND REVOLVING CREDIT AGREEMENT

The long-term debt of the Corporation and its subsidiaries at balance sheet dates was as follows:

(Thousands of dollars)	*1990*	*1989*
Senior Debt:		
Industrial revenue bonds, 72% to 88% of bank's prime, secured by certain real property, payable in installments to 1994	**$ 7,350**	$ 8,400
Industrial revenue bonds, 11.15%, secured by certain real property, payable in installments to 1993	**2,700**	3,150
Industrial revenue bonds, 7.25%, secured by certain real property, payable in installments to 1998	**2,250**	2,500
Revolving credit agreement	**40,000**	30,000
Term credit agreement, 9.84%, unsecured, payable in equal annual installments from 1991 to 1995	**20,000**	20,000
Term credit agreement, 10.17%, unsecured, payable in 1992	**10,000**	—
Reclassified short-term debt (Note 9)	**25,000**	25,000
Other	**168**	890
Subordinated Debt:		
9.75% subordinated sinking fund debentures, payable in installments to 1999, net of unamortized debenture discount	**2,034**	2,197
Subordinated note, at prime rate, secured by certain real property, payable in installments with balance due in 1992	**7,540**	7,740
Capitalized Lease Obligations:		
8.51% to 11.75%, secured by certain real property, payable in monthly installments to 2019	**5,027**	6,019
	122,069	105,896
Less current portion	**5,870**	2,464
Net long-term debt	**$116,199**	$103,432

BR000431

Maturities of long-term debt for the fiscal years ending 1992-1995 are as follows:

1992	$22,862
1993	5,546
1994	6,477
1995	7,450

Through a revolving credit agreement with a group of banks, the Corporation and its subsidiary, Van Waters & Rogers Inc., may borrow up to $95,000,000 at prime rate, certificate of deposit rate plus 7/8% or LIBOR plus 7/8%, at the Corporation's option. The commitment reduces by $10,000,000 on March 1, 1990 and 1991, and expires on December 31, 1993. The agreement also requires collected balances of 5% on outstanding balances, or the payment of fees in lieu thereof, and fees of 3/8% on unused commitments.

The long-term debt instruments include provisions specifying minimum current ratio, tangible net worth, debt/tangible net worth ratios, and net tangible assets/debt ratios. Under the most restrictive of the financial ratios, the Corporation's tangible net worth cannot be less than $77,000,000.

VWR Corporation, in connection with its spin-off on February 28, 1986, continues to guarantee approximately $7,540,000 of the Corporation's subordinated long-term debt.

NOTE 4 • QUARTERLY FINANCIAL DATA (UNAUDITED)

(Thousands of dollars, except per share data)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1989/1990				
Sales	**$359,618**	**$353,931**	**$348,048**	**$317,267**
Gross Margin	**49,215**	**51,406**	**51,301**	**53,808**
Net Income	**4,715**	**5,655**	**5,758**	**5,417**
Net Income per Share	**.27**	**.32**	**.32**	**.31**
1988/1989				
Sales	$323,973	$339,419	$328,843	$315,630
Gross Margin	45,308	47,919	47,966	46,533
Net Income	4,070	6,042	5,212	4,649
Net Income per Share	.23	.35	.30	.26

NOTE 5 • STOCK OPTIONS AND RESTRICTED STOCK AWARDS

The Corporation's Stock Option Plan, adopted in 1982, provides for the granting of options to officers and key employees to purchase Common Stock. For incentive stock options the option price cannot be less than the fair market value of the Common Stock at the date of grant. Non-qualified stock options may be granted at less than the fair market value of the Common Stock. Options become exercisable at the rate of twenty percent per year beginning two years after the date of grant, and expire ten years after the date of grant. The maximum number of shares available for issuance under the 1982 Plan is 244,928.

The Corporation's 1986 Long-Term Incentive Stock Plan provides for the granting to officers and key employees of non-qualified stock options, incentive stock options, and restricted stock awards. The terms of grant for non-qualified and incentive options are similar to the 1982 Plan; however, options may be exercisable as determined by the committee of the Board that administers the Plan. Restricted Stock Awards (RSAs) may be granted or sold to officers and key employees. RSAs may not be sold or otherwise disposed of during the established restriction period, presently five and six years. On August 25, 1989, the shareholders approved an amendment to increase the maximum number of common stock shares available to be issued under the 1986 Plan from 700,000 to 1,200,000.

BR000432

During the year the Corporation granted RSAs of 38,138 shares of stock to certain key employees pursuant to the 1986 Long-Term Incentive Stock Plan. The market price at the dates of grant ranged from $12.69 to $14.56 per share. As of the dates of grant the fair market value of these stock awards totaled approximately $500,000, which amount has been deferred and, along with the remaining deferred portion of RSAs issued in prior years, is being amortized to operations over a six-year period. At February 28, 1990, unamortized deferred stock compensation expense of approximately $724,000 is classified as such in the shareholders' equity section of the Corporation's balance sheet.

The committee of the Board of Directors that administers the Plans may, at its discretion, determine the number of shares, the purchase price, applicable vesting periods, and any other terms of each option or award. Options and awards include provision for acceleration of such applicable vesting periods in the event of certain transactions that may result in a change of control of the Corporation.

Under the 1982 and 1986 Plans, a total of 31,194 and 713,802 shares were available for grant, respectively, at February 28, 1990.

The following table summarizes activity in the Plans:

	Number of Shares			
	Under Option	*Restricted Stock Awards*	*Available for Future Option or Award*	*Price Range*
Outstanding, February 29, 1988	335,200	152,318	442,876	$ 3.81 – $ 9.97
Granted	135,838	64,748	(200,586)	8.72
Exercised	(76,584)	—	—	3.81 – 5.90
Canceled or expired	(24,594)	(5,324)	29,918	4.19 – 8.72
Outstanding, February 28, 1989	**419,860**	**211,742**	**272,208**	**3.81 – 9.97**
Granted	**—**	**38,138**	**(38,138)**	**12.69 – 14.56**
Exercised	**(25,948)**	**—**	**—**	**3.81 – 5.91**
Canceled or expired	**(10,926)**	**—**	**10,926**	**4.19 – 8.72**
RSAs vested	**—**	**(30,138)**	**—**	
Amendment to 1986 Plan	**—**	**—**	**500,000**	
Outstanding, February 28, 1990	**382,986**	**219,742**	**744,996**	**3.81 – 14.56**
Exercisable at February 28, 1990	**157,834**			

NOTE 6 • PENSION PLANS

The Corporation and its subsidiaries have pension plans covering substantially all employees, excluding those employees covered by unions that operate plans independent of the Corporation or its subsidiaries. Nonunion domestic pension benefits are based on years of credited service and the highest five-year average compensation. Contributions to the plan are based on the Projected Unit Credit actuarial funding method and are limited to amounts that are currently deductible for tax purposes. Contributions are intended to provide for benefits attributed to service to date and benefits expected to be earned during the plan year, based on the projected final average compensation.

Total pension expense (excluding union-sponsored, collectively bargained plans) was $2,710,000, $1,878,000, and $972,000 in fiscal years 1990, 1989, and 1988, respectively.

The following table sets forth the domestic plan's funded status and amounts recognized in the Corporation's consolidated balance sheets at February 28:

(Thousands of dollars)	1990	1989
Actuarial present value of benefit obligations		
Vested	**$ 32,116**	$ 23,685
Non-vested	**332**	859
Accumulated benefit obligation	**$ 32,448**	$ 24,544
Projected benefit obligation	**$ 41,060**	$ 31,736
Plan assets at fair value	**(33,495)**	(28,392)
Projected benefit obligation in excess of plan assets	**7,565**	3,344
Unrecognized net transition obligation	**(390)**	(422)
Unrecognized prior service cost	**(707)**	—
Unrecognized net loss (plan changes and actuarial losses)	**(4,918)**	(1,252)
Accrued pension cost, included in accrued payroll and other liabilities in the Corporation's consolidated balance sheet	**$ 1,550**	$ 1,670

Net domestic pension expense includes the following components:

(Thousands of dollars)	1990	1989
Service cost (benefits earned during the fiscal year)	**$ 1,724**	$ 1,250
Interest cost on projected benefit obligation	**3,416**	2,916
Actual return on plan assets	**(4,147)**	(3,132)
Net amortization and deferral	**1,377**	610
Net domestic pension expense	**$ 2,370**	$ 1,644

The weighted average discount rate, the rate of increase in future compensation levels, and the expected long-term rate of return on plan assets used in determining the actuarial present value of the projected benefit obligations were 10%, 6%, and 10%, respectively, as of March 1, 1990 and 1989. The expected long-term rate of return on plan assets was 10% for 1988. The market value of assets, which consist primarily of cash equivalents and equity securities, is as reported by the trustee bank serving the pension plan.

Certain employees are covered under union-sponsored, collectively bargained, defined benefit plans. Expenses for these plans were $660,000 in 1990, $607,000 in 1989, and $496,000 in 1988, as determined in accordance with negotiated labor contracts.

Provisions of the Multi-Employer Pension Amendments Act of 1980 require participating employers to assume a proportionate share of a multi-employer plan's unfunded, vested benefits in the event of withdrawal from or termination of such plan. Information concerning the Corporation's share of unfunded, vested benefits is not available from plan administrators. Provisions of the Act may have the effect of increasing the level of contributions in future years.

Employees of the Company's foreign subsidiary are covered by a pension plan. Commencing in 1990, the Company was required to adopt certain accounting changes regarding its foreign plan under Financial Accounting Standards Board Statement No. 87, with no significant impact on fiscal year 1990 pension expense. Plan assets exceeded the actuarially computed vested benefits of the plan at December 31, 1989 and 1988. Pension expense under the foreign plan was approximately $340,000 in 1990, $234,000 in 1989, and $166,000 in 1988.

NOTE 7 • OTHER RETIREMENT BENEFITS

The Corporation provides certain medical benefits to pensioners and survivors. Substantially all of the Corporation's employees may become eligible for those benefits if they reach retirement age while still working for the Corporation. The cost of retiree and survivor medical benefits is recognized as expense as claims are paid. The program went into effect on October 1, 1986, and costs under the program were not significant for any year.

NOTE 8 • INCOME TAXES

Income before provision for taxes on income for the years ended February 28/29 was composed of the following:

(Thousands of dollars)	**1990**	1989	1988
Domestic	**$27,779**	$24,932	$14,836
Foreign	**8,253**	8,925	6,600
	$36,032	$33,857	$21,436

Provision for taxes on income consisted of the following:

(Thousands of dollars)	**1990**	1989	1988
Current—			
Federal	**$ 3,601**	$ 6,639	$ 6,929
State and Local	**637**	1,573	2,035
Foreign	**3,467**	4,111	3,342
	7,705	12,323	12,306
Deferred—			
Federal	**5,182**	1,292	(1,917)
State and Local	**1,558**	413	(44)
Foreign	**42**	(144)	(72)
	6,782	1,561	(2,033)
	$14,487	$13,884	$10,273

Deferred income taxes result from timing differences in the recognition of certain items for income tax and financial statement purposes. The sources of these differences and the tax effect of each for the years ended February 28/29 were as follows:

(Thousands of dollars)	**1990**	1989	1988
Depreciation	**$ 2,557**	$1,176	$ 1,843
Self-insurance reserves	**677**	136	(826)
Environmental reserves	**1,297**	649	(2,361)
Acquisition basis allocations — net	**42**	(844)	—
Inventory valuation	**(212)**	(181)	(545)
Software development	**5,414**	616	—
State income taxes	**(647)**	(109)	—
Receivable valuation	**(830)**	—	—
Alternative minimum tax credit	**(1,790)**	—	—
Other — net	**274**	118	(144)
	$ 6,782	$1,561	$(2,033)

BR000435

The accompanying financial statements reflect effective tax rates of 40.2% in 1990, 41.0% in 1989, and 47.9% in 1988. An analysis of the differences between these rates and the Federal statutory rate is set forth below:

	1990		1989		1988	
(Thousands of dollars)	***Amount***	***Percent***	*Amount*	*Percent*	*Amount*	*Percent*
Federal tax at statutory rate	**$12,251**	**34.0%**	$11,511	34.0%	$ 8,146	38.0%
State taxes, net of Federal tax benefit	**1,449**	**4.0%**	1,311	3.9%	1,234	5.8%
Rate differential for foreign income	**703**	**2.0%**	932	2.8%	762	3.6%
Other — net	**84**	**0.2%**	130	0.3%	131	0.5%
	$14,487	**40.2%**	$13,884	41.0%	$10,273	47.9%

The Corporation's federal income tax returns are closed for the year ended February 29, 1984, and all prior years.

In December 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes" ("Statement No. 96"), adopting the liability method of accounting for deferred income taxes. In December 1989 FASB further extended final implementation of that pronouncement by two years. Statement No. 96 must be adopted by the Corporation no later than the fiscal year ending February 28, 1993. Under the provisions of Statement No. 96, the Corporation may recognize the impacts of adoption by recording the prior years' cumulative effect of the new rules entirely in the year of adoption or by restating all financial statements presented. While the Corporation currently does not expect that adoption of Statement No. 96 will significantly impact the amount of earnings reinvested in the business, deferred taxes will have to be adjusted to reflect federal income tax rates in effect at the time of adoption and to give effect to temporary differences for which no deferred taxes had been previously provided.

NOTE 9 • NOTES PAYABLE

As of February 28, 1990, the Corporation had regular domestic and foreign short-term lines of credit of $57,374,000, with loans against these bank lines of $7,823,000. In addition, the Corporation had $25,000,000 of commercial paper outstanding. The approximate average aggregate short-term borrowing and weighted average short-term interest costs were $40,044,000 and 9.2% in 1990, $37,475,000 and 9.2% in 1989, and $33,297,000 and 7.7% in 1988. The maximum amount of short-term borrowing during the year was $57,914,000 in 1990, $50,000,000 in 1989, and $46,500,000 in 1988.

At February 28, 1990 and 1989, $25,000,000 of commercial paper borrowing was reclassified to long-term debt, based upon available refinancing through the revolving credit agreement discussed in Note 3.

To compensate its banks for the availability of short-term and long-term credit, the Corporation has informal agreements to maintain average cash balances varying up to 5% of the available credit, or in certain cases to pay fees in lieu thereof.

NOTE 10 • LEASES

Rental expense was approximately $9,543,000, $6,613,000, and $5,554,000, for 1990, 1989, and 1988, respectively. The Corporation and its subsidiaries occupy some leased premises and lease some other equipment. Leases that qualify as capital leases, as defined in Statement of Financial Accounting Standards No. 13, have been capitalized. The amount of such capitalized leases included in property, plant, and equipment and the related accumulated amortization was $5,082,000 and $2,756,000 in 1990 and $6,558,000 and $2,671,000 in 1989. Lease amortization is included in depreciation expense.

In March 1990 the Corporation entered into a long-term lease for a headquarters building and computer center. Annual lease payments are estimated to be approximately $2,250,000 during the ten-year initial term of the lease and are not reflected in the table below.

Future minimum lease payments as of February 28, 1990, under capital leases and noncancelable operating leases, having initial lease terms of more than one year, are as follows:

Years Ending February 28/29 (Thousands of dollars)	*Capital Leases*	*Operating Leases*
1991	$ 740	$ 6,958
1992	740	4,418
1993	740	2,445
1994	740	1,713
1995	1,085	1,075
Thereafter	5,091	1,281
Total minimum lease payments	9,136	$17,890
Less amounts representing interest	4,109	
Present value of net minimum lease payments	$5,027	

The present value of the net capital lease payments is presented in the February 28, 1990, balance sheet as long-term debt.

NOTE 11 • ACQUISITION

On September 22, 1989, the Corporation's United States subsidiary acquired the stock of Hamblet & Hayes Co., formerly a subsidiary of Ciba-Geigy Corporation, for approximately $13,500,000 in cash. In connection with the acquisition the Corporation received assets with a fair value of approximately $17,900,000 and assumed liabilities totaling approximately $4,400,000. The acquisition was accounted for as a purchase. The preliminary assets and liabilities are included in the accompanying consolidated financial statements at values representing an allocation of the purchase cost to such assets and liabilities, which approximates market valuation. Approximately $6,000,000 has been included in other assets pending final determination of the fair value of the assets acquired. If the acquisition had been made at the beginning of the fiscal year, the pro forma effect on sales, net income, and earnings per share for the year ended February 28, 1990, would not have been significant.

NOTE 12 • LITIGATION AND CONTINGENCIES

Because of the nature of its business, the Corporation is involved in numerous contractual, product liability, and public liability cases and claims. The liabilities for injuries to persons or property are frequently covered by liability insurance and the deductible and self-insured portions of these liabilities, where applicable, have been accrued in these financial statements.

In addition, Univar and related entities have been named as "potentially responsible parties" relative to cleanup costs associated with twenty-one separate waste disposal or waste recycling sites that are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater pollution. On many of these sites, the Corporation could technically be liable for the total costs of cleanup under the principle of joint and several liability. However, with respect to each site, numerous other companies are similarly identified and as a practical matter most of them will share in the cleanup costs. In each of these cases, the Corporation is a "small generator" in that the Corporation's volume of waste delivered to the disposal sites is thought to represent less than 2% of the total wastes at each site.

Sixteen sites owned or formerly owned or leased by the Corporation are the subject of separate government proceedings or investigations concerning alleged soil and/or groundwater contamination. With respect to these sixteen sites and eight other environmental matters, the Corporation has been or in the future may be asked to contribute to the costs of cleanup.

While the results of the proceedings and claims against the Corporation are generally not presently determinable, based upon the information presently available, the availability of insurance coverage, and the presence of indemnity agreements for certain of these matters, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations.

The Corporation believes it is not practical to purchase broad-based liability coverage for environmental contamination. It has, however, purchased substantial amounts of insurance in excess of a deductible for certain limited environmental incidents, and has provided reserves to cover estimated remedial costs of currently known environmental matters, where such costs are both probable and reasonably estimatable.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws is expected to continue to impact the Corporation's operations. For the years 1990 and 1989, the Corporation spent approximately $4,900,000 and $2,600,000, respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations. At February 1990 and 1989 the Corporation had reserves for environmental matters of approximately $6,900,000 and $9,700,000, respectively.

At February 28, 1990, the Corporation had letters of credit outstanding totaling approximately $40,500,000, which guaranteed various insurance and financing activities. These are automatically renewable each year.

NOTE 13 • INDUSTRY SEGMENT INFORMATION

Univar Corporation operates in only one industry segment (chemical distribution) in both the United States and Canada. Operations in Canada, included in the consolidated statements, consisted of the following:

(Thousands of dollars)	**1990**	1989	1988
Sales	**$196,512**	$194,102	$150,646
Operating income	**7,559**	8,252	6,364
Identifiable assets	**70,758**	65,396	57,222
Depreciation and amortization expense	**1,123**	1,054	1,000
Capital expenditures	**1,464**	2,882	699

MANAGEMENT RESPONSIBILITY FOR FINANCIAL DATA

The management of Univar Corporation has prepared and is responsible for the integrity and fairness of the financial statements and other financial information presented in this annual report. The statements have been prepared in accordance with generally accepted accounting principles and, to the extent appropriate, include amounts based on management's judgment and/or estimates. In order to discharge its responsibilities for these financial statements and information, management maintains accounting systems and related internal controls. These controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial records are reliably maintained. The concept of reasonable assurance, however, incorporates an acknowledgment that the cost of a control system must be related to the benefits derived.

Univar monitors the effectiveness of and compliance with its control systems through a full-time internal audit program. Arthur Andersen & Co., as a part of reaching its opinion, reviews the programs and coverage undertaken by the internal audit group.

Management has reviewed the recommendations of both the internal auditors and of Arthur Andersen & Co., and has responded in what we believe to be appropriate and cost-effective ways.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with management and with the internal and independent auditors to review the quality of financial reporting, the operation and development of the internal control systems, and the results of internal and independent auditors.

The independent auditors and also the internal auditors each regularly meet with the Audit Committee without the presence of any other parties.

Nicolaas Samsom
Senior Vice President–
Finance and Administration
(Chief Financial Officer)

Gary E. Pruitt
Vice President and Treasurer
(Chief Accounting Officer)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Univar Corporation:

We have audited the accompanying consolidated balance sheets of Univar Corporation (a Delaware Corporation) and subsidiaries as of February 28, 1990 and 1989, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended February 28, 1990. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Corporation's wholly owned Canadian subsidiary, which statements reflect assets and revenues constituting approximately 15% and 14%, respectively, of the consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Univar Corporation and subsidiaries as of February 28, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 1990, in conformity with generally accepted accounting principles.

Seattle, Washington,
April 24, 1990.

Arthur Andersen & Co.

FIVE-YEAR FINANCIAL SUMMARY[1]

For the Fiscal Years Ended February 28/29 (Thousands of dollars, except per share data)	*1990*	*1989*	*1988*	*1987*[2]	*1986*[3]
Sales	**$1,378,864**	$1,307,865	$1,117,309	$ 693,279	$538,388
Cost of sales	**1,173,134**	1,120,139	950,464	589,904	458,297
Gross margin	**205,730**	187,726	166,845	103,375	80,091
Operating expenses	**158,662**	145,560	137,589	96,733	68,745
Income from operations	**47,068**	42,166	29,256	6,642	11,346
Interest expense	**(13,109)**	(11,443)	(10,315)	(6,198)	(6,019)
Other income — net	**2,073**	3,134	2,495	1,051	1,252
Income before provision for taxes	**36,032**	33,857	21,436	1,495	6,579
Provision for taxes	**14,487**	13,884	10,273	783	2,320
Net income from continuing operations	**21,545**	19,973	11,163	712	4,259
Net income from companies distributed	—	—	—	—	6,391
Net income	**$ 21,545**	$ 19,973	$ 11,163	$ 712	$ 10,650
Weighted average common shares outstanding	**17,728**	17,603	17,529	13,374	11,230
Net income per share from continuing operations	**$ 1.22**	$ 1.13	$ 0.64	$ 0.06	$ 0.38
Net income per share from companies distributed	—	—	—	—	0.57
Net income per share	**$ 1.22**	$ 1.13	$ 0.64	$ 0.06	$ 0.95
Continuing operations only:					
Cash dividends declared per share	**$ 0.30**	$ 0.20	$ 0.10	$ 0.10	$ 0.16
Total assets	**477,408**	431,428	394,667	346,555	186,976
Total debt	**130,223**	117,673	120,932	111,634	65,819
Long-term debt	**116,199**	103,432	115,350	102,776	59,401
Working capital	**71,940**	63,739	67,171	51,201	30,783
Shareholders' equity	**131,880**	114,728	96,254	85,068	45,000
Book value per share	**7.53**	6.57	5.54	4.90	4.02
Return on beginning equity	**18.8%**	20.8%	13.1%	1.6%	9.8%

(1) *Historical share data have been restated to reflect the effect of a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.*

(2) *Reflects acquisition of substantially all of the assets, subject to certain liabilities, of McKesson Chemical Co. (MCC), effective November 1, 1986. Operating results of MCC from November 1, 1986, have been included in the consolidated statements of income from that date forward.*

(3) *Represents figures for continuing operations of Univar Corporation after giving effect to spin-off of VWR Corporation on February 28, 1986.*

BOARD OF DIRECTORS

Name	Position	Name	Position
James H. Wiborg (1964) [3,6]	Chairman and Chief Strategist, Univar Corporation	**Andrew V. Smith** (1982) [1,4]	Executive Vice President, U S WEST Communications, Telecommunications
James W. Bernard (1986) [2,3,4,6]	President and Chief Executive Officer, Univar Corporation	**William K. Street** (1975) [1,2]	President, The Ostrom Company, Mushroom growers and distributors
H. P. H. Crijns (1986) [3]	Chairman, Managing Board, Pakhoed Holding N.V., Chemical logistic services	**Nico van der Vorm** (1987) [3]	Chairman–Executive Board, HAL Holding N.V., Investments
Richard E. Engebrecht (1984) [3,4]	President and Chief Executive Officer, Momentum Distribution Inc., Industrial distribution	**G. Verhagen** (1986) [1,2]	Managing Director, Pakhoed Holding N.V., Chemical logistic services
Mark W. Hooper (1986) [6]	Vice President, Pakhoed Holding N.V., Chemical logistic services	**Lowry Wyatt** (1975) [2,3,5]	Consultant and Retired Senior Vice President, The Weyerhaeuser Company, Forest products
Curtis P. Lindley (1984) [1,5,6]	Retired Chairman of the Board, PENWEST LTD., Grain processing		
Robert S. Rogers (1970) [2,5]	President, Lands-West, Inc., Recreational real estate development	Emeritus **M. M. Harris**	

( ) Year of election as Director of Univar Corporation or its predecessor

1 *Audit Committee*
2 *Compensation Committee*
3 *Executive Committee*
4 *Nominating Committee*
5 *Retirement Plan Committee*
6 *Public Policy Committee*

OFFICERS

Name	Position	Name	Position
James H. Wiborg	Chairman and Chief Strategist	**Albert C. McNeight**	Vice President; President, Van Waters & Rogers Ltd.
James W. Bernard	President and Chief Executive Officer	**David C. Gentry**	Vice President–Human Resources
N. Stewart Rogers	Senior Vice President	**Gary E. Pruitt**	Vice President and Treasurer
Bevan A. Cates	Senior Vice President–Sales, Marketing, and Material Management	**Guenter Zimmer**	Vice President–Engineering
Dick A. Davis	Senior Vice President–Operations	**Barry C. Maulding**	Corporate Secretary
James L. Fletcher	Senior Vice President–Environmental and Corporate Affairs	**David E. Olson**	Assistant Treasurer
Nicolaas Samsom	Senior Vice President–Finance and Administration		

BR000442

PRINCIPAL OPERATING UNITS

VAN WATERS & ROGERS INC.

General Offices:	1600 Norton Building 801 Second Avenue Seattle, Washington 98104
Officers:	
James W. Bernard	President
Bevan A. Cates	Senior Vice President–Sales, Marketing, and Material Management
Dick A. Davis	Senior Vice President–Operations
James L. Fletcher	Senior Vice President–Environmental and Corporate Affairs
Nicolaas Samsom	Senior Vice President–Finance and Administration
Terrance H. Irvine	Regional Vice President–Southwestern Region
James F. Lacey	Regional Vice President–Central Region
Rod S. Nugent	Regional Vice President–Western Region
Darwin H. Simpson	Regional Vice President–Eastern Region
Norman R. Ehmann	Vice President–Pest Control Supplies
Gerald R. Fischer	Vice President–Marketing
David C. Gentry	Vice President–Human Resources
L. Dwight Landry	Vice President–ChemCare
Daniel McCaskill	Vice President–Los Angeles Basin Project
Gary E. Pruitt	Vice President and Treasurer
Guenter Zimmer	Vice President–Engineering
Barry C. Maulding	Corporate Secretary

VAN WATERS & ROGERS LTD.

General Offices:	P.O. Box 2009 Vancouver, British Columbia Canada V6B 3R2
Officers:	
Albert C. McNeight	President
Paul H. Hough	Vice President–Western Canada
Hans Walser	Vice President–Eastern Canada
Fred Hermesmann	Treasurer
Muriel MacEwen	Assistant Treasurer
R. Keith Yardley	Secretary
Barry C. Maulding	Assistant Secretary

BR000443

GENERAL INFORMATION

Corporate Offices
1600 Norton Building
801 Second Avenue
Seattle, Washington
98104
(206) ~~447-5911~~ 889-3400

Form 10-K
The Corporation's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, will be available at no charge to shareholders upon request to Barry C. Maulding, Corporate Secretary, at the above address.
X 2481

Counsel
Preston Thorgrimson Shidler Gates & Ellis
5400 Columbia Seafirst Center
701 Fifth Avenue
Seattle, Washington
98104

Independent Public Accountants
Arthur Andersen & Co.
900 Norton Building
801 Second Avenue
Seattle, Washington
98104

Transfer Agent and Registrar
First Interstate Bank Ltd.
26610 West Agoura Rd.
Calabasas, California
91302
(800) 522-6645

Shareholder Information
First Interstate Bank Ltd.
Shareholder Services
(800) 522-6645

Stock Exchange Listings
Common Stock
New York Stock Exchange (Symbol UVX)
Pacific Stock Exchange (Symbol UVX)

9-3/4% Debentures
New York Stock Exchange

Annual Meeting
Friday, August 24, 1990
9:00 a.m.
Museum of Flight
9404 East Marginal Way South
Seattle, Washington

Univar
CORPORATION

1600 Norton Building
801 Second Avenue
Seattle, WA 98104

PRINTED IN USA

Menke & Associates, Inc.
Corporate Financial Consultants

Mendham, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

6-26-90
3PM

May 21, 1990

213-945-3911

John Locke, President
Angeles Chemical Company
P.O. Box 2163
Santa Fe Springs, California 90670

Hilton - Whittier

Tim - Mahoney -

Dear John:

I will be attending an ASA business appraisers conference in Long Beach on June 25-26, 1990 and would like to call on you in connection with your fiscal 1990 ESOP valuation.

The visit should only take part of a morning or afternoon. My initial suggestion is that we get together in mid to later afternoon at your offices on Tuesday, June 26. 3PM -

There will be an incremental professional fee for this above the usual ESOP update charges. Your pro rata share of the out-of-pocket travel should be quite reasonable since I am planning to schedule several calls in Southern California on this trip.

I will call you in the near future to confirm a specific appointment.

Best wishes.

Sincerely yours,

Eric M. Bramstedt

EMB:ew

cc: Jim Froelich

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

August 29, 1989

PERSONAL AND CONFIDENTIAL

Mr. John Locke, President
Angeles Chemical Co. Inc.
P.O. Box 2163
Santa Fe Springs, California 90670 1-213-945-3911

Dear John:

Enclosed is ~~the~~ final draft of our ESOP valuation study on Angeles Chemical for April 30, 1989. As presumably Jim has told you, our valuation conclusion is [redacted] per share.

Before you leave on vacation, would you please review for general observation and correctness and accuracy of facts the Introduction, Company and Financial Analysis and Valuation sections of the report. I will call you and Jim after Labor Day to obtain your comments.

As you can imagine, I have spent considerable incremental time during the 1989 ESOP update on the environmental issues including several telephone conversations with you, Jim Froelich, your commercial real estate broker and your environmental engineer. I was able to conduct my investigation without incurring travel costs to Southern California. However, I am suggesting that the professional services fee this year be ~~$3,000~~ as opposed to $2,250 last year and a normal Menke update fee range for a company of your size and scope of $2,200 to $2,500.

Very truly yours,

$3,300 - 89
2,200 - 3,500 - 90
10% + inflation

Eric M. Bramstedt

EMB:ew
enclosures

cc: James Froelich

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-8000
Fax (415) 543-2489

September 18, 1989

PERSONAL AND CONFIDENTIAL

Mr. John Locke, President
Angeles Chemical Co. Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear John:

Enclosed are the original and two copies of Anchem's fiscal 1989 ESOP valuation and our invoice for $2,800.

As discussed, assuming Menke is chosen to do the 1990 valuation our fee will be between $2,200 and $2,500 barring some significant new event or circumstances.

Very truly yours,

Eric M. Bramstedt

EMB:ew
enclosures

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000

September 18, 1989

Angeles Chemical Co. Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. James Froelich

INVOICE

Fee due for update ESOP appraisal for
Angeles Chemical Co., Inc. as of
April 30, 1989 . . . . $2,800

Thank you.

EMB:ew

№ 5103

[illegible]

	TERM. DATE	EMPLOYEE	04/30/88 % VESTED	04/30/88 LESS VESTED AMOUNT	PYMTS SVE 04/30/88	BALANCE TO BE PYMT PAID	#	AMOUNT												
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T	093008	BENSON, JEANETTE E.	100.00%	14153.83		14153.83	1	2830.77					2830.77							
T	060788	CAMPOS, ARTHUR J	0.00%	0.00		0.00		0.00		0.00										
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T		GARCIA DAVID	0.00%			0.00		0.00												
T		GLENDENNING, JOHN P	0.00%			0.00		0.00												
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T		KEARNEY CLIFFORD L	0.00%			0.00		0.00												
T	110984	KILSHEIMER THOMAS P	20.00%	255.55		255.55	1	51.11							51.11					
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	092486	MELENDEZ, EVELYN	100.00%	1337.00	409.98	427.02	3	309.01					309.01							
T		MENDEZ JOSE L	0.00%			0.00		0.00												
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	071787	NELSON, WARREN	100.00%	223.87	55.97	167.90	3	55.97										55.97		
T	070188	PETERS CHRIS	20.00%	384.99		384.99	1	77.00			77.00									
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	110885	QUINN, PETER	100.00%	135.36	33.84	101.52	3	33.84							33.84					
T		RAMIREZ GUSTAVO	0.00%			0.00		0.00												
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T		TELLEZ, AMY	0.00%			0.06		0.00												
T	022888	TOPETE ALEJANDRO	0.00%	0.00		0.00		0.00										0.08		
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					9389.57	54451.93		12962.99	694.11	0.00	147.83	78.52	3336.52	4825.45	124.59	1369.07	1738.74	660.20	0.00	0.00

BR000450

Angeles John Lonka 9/6 Ph

1) think B.V. of $2 Mil. "solid"
   No old inventory   PPE written off
   No receivables > 60 days   in 2 years

2) Botz was near bankrupt
   Lo price on Home Club, Builders Emporium

3) 1990 Forecast
   $9 mil Sales

2490	2,160	G.M.
	2,100	Op. Expense
	60	Op. Income
	0	OI/OE (Net)
	60	PTE

No relationship unless sales fall.

$225 Dep

4) Survival game plan
   $3 mil - packaging products - retail distribution chain
   Better margins 35% - 15%
   $6 mil - industrial chem. (solvents)

Build up packaging - Go into water based products (shampoo) OVER

Phases

* Anchor has contract with major chemical refiners

* Insurance and shipping capability

5) Property

Priority - distracting from building business
Tr. Transfer

Bonnie $700,000 - secure premises with
$360,000 - of govt. zero coupons
for 10 years
Interest (Prime) about equal to
current rent.

May ultimately pull tanks out
Lease land as industrial property
Move purchase operation elsewhere.

Angeles Chemical

Cash Flow Explanation

1) Purchase of Fixed Assets - $95k
drum rehab.

2) Draw down and borrowing payment - $176k
(141k)

S. Term. Over loan - $150,000 for
public liab insurance - balance
for truck.
Payments (principal) were $10,000 a
month for insurance and $1,600 a
month for truck

3) Employee loans and collections - $140k
137k

Commission accrual and collection

4) Trust collection & other - $60k
30k

Accrual of SBP order backlog
4/89; shipped. 5/89

5) Stallion Tank - Angeles paying all
Stallion's bills, then collect.

Archem.

FMU
4/30/89

Valuation Issues

1) Locke ready to retire?
a) 3 partners want out of real estate

2) Operations staff shrinking - losing experience
No marketing
3) Contamination issue - No Reserves for remediation costs

4) Cash & liquidity being used to purchase real estate. Not stabilize or diversify. Because Borts wasn't successful ??

5) Sales and op. loss stabilized at ≈9 mil

6) Marketability Discount

7) No long term debt

BR000454

valuation
4/30/89

Book Value $2,026,000

"Adj" B.V. (.9) 1,823,400

W.C. 1,511,000

Est Value for PP+E, Goodwill $312,400 vs. Net PP+E of $552,000

Adj B.V	1,823,400		$33.72
× 90%	1,641,060		30.35
× 85%	1,549,890	= W.C.	$28.65
~	1,550,000		

54,065 shs

Angeles Chemical

FMV
4/30/89

1) Book Value $2,136,098 or $39.51/sh.
B.V. cannot be support on orderly liquidation

2) Earnings Capacity

Net Income	F88	$14,000
	F86-88 Ave	73,000
Pre Tax	F88	(29,000)
	F86-88	88,333

3) Available Cash Flow
(PTE + Depr. + PSP/ESOP)

F88	$171,179
F89	69,000

~~F86~~	F87	F88	F89		
~~411,661~~	302,000	171,179	$69,000	F86-88 Ave	294,947
				F87-89	180,667

4) After Tax Cash Flow
(Net + Depr.)

F88	$208,000
F89	101,000

~~F86~~	F87	F88	F89		
~~245,000~~	224,000	208,000	$101,000	F86-88 Ave	$225,667
				F87-89 Av.	177,667

As of the ESOP plan year, which began May 1, 1987, the ESOP Committee changed its policy of paying terminated plan participants in a lump sum to paying participants terminated for reasons other than retirement at age 65 in five annual pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock in each of five years at the fair market value applicable for each year. Accordingly, the above derived value is discounted for restricted marketability by

15% (increased from 10% in fiscal 1988) or $273,510 to $1,550,000 or $28.65 a share (rounded) on 54,065 A&B shares outstanding. This figure is essentially equal to Anchem's working capital at 4/30/89.

Arguably, the restricted marketability discount should be greater than 15%. However the aggregate ESOP (minority interest) value has been reduced 40% in the four years between April 30, 1986 and 1989 an overall deflation which Menke & Assoc believes properly and adequately reflects the myriad of problems confronting Anchem and its ESOP participants

Valuation Summary
April 30, 1989

Stated Book Value	$2,026,000
Less Liquidation Discount (10%)	202,600
Sub-Total	1,823,400
Less Marketability Discount (15%)	273,600
Fair market value	$1,550,000 (R)
Per share on 54,065 shares	$28.65 (R)

R - Rounded

OVER

BR000457

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

In fiscal 1989 Univar spent $26 million on environmental matters and has recorded $9.7 million for estimated remedial and other costs.

companies are generally much larger and more diverse both geographically and in business operations.

One such large public company is Univar Corp. ~~As reviewed in the November 1987 study,~~ Univar is the largest U.S. chemical distributor with fiscal 198~~8~~9 revenues of $1.~~1~~3 billion. Van Water & Rogers, a Univar division, is a direct Anchem competitor. Univar's net income per share was $~~1~~.27 and cash flow (net income plus depreciation) was $~~3~~.87 for the fiscal year ended February ~~29~~ 1.33:1 29, 198~~8~~9 Univar's current ratio as of that date was ~~[illegible]~~; debt 0.9:1 to equity was ~~[illegible]~~ and book value was ~~$11.80~~ per share. Return on sales and equity were 1.~~5~~% and ~~12.3%~~ respectively. As of ~~9~~ 29k April 30, 198~~8~~9 Univar common was trading at ~~$17-3/4~~ or ~~1.5X~~ book value, ~~14.0X~~ 13.0X earnings, ~~6.2X~~ 2.6X cash flow and 14% of revenues. 2.2X 124% 13.14

Normally, Menke & Associates would select a capitalization rate or Price/Earnings ratio by reference to P/E ratios for market indices such as the Dow Jones Industrials, Standard & Poor's 400 and Moody's Chemical Industry composite. Since a capitalization of earnings methodology is not now being employed, such a reference is not appropriate. Univar's market capitalization rates may be broadly referenced in the future although Univar is a substantially larger and much more geographic, customer and product diverse company.

Cash Flow and Earnings Capacity

The prior ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation or total source of funds. Available cash flow ~~before taxes~~ is pretax income plus profit share/ESOP contribution plus depreciation. Anchem's earnings and cash flow as just defined for FY1988 and its recent three-year average is shown below:

		Cash Flow	
Period	Net Income	Available	After Tax
FY198~~8~~9	~~$14,000~~ ($110,000)	~~$171,000~~ $69,000	~~$200,000~~ $101,000
FY198~~6~~7-8~~8~~9 Avg.	~~72,000~~ ($19,000)	~~295,000~~ 181,000	~~225,000~~ $178,000

NOTE: Figures have been rounded

In a cyclical industry such as chemical distribution, it is normally appropriate to use five-year averages for valuation purposes as was done in the past. However, Anchem's steady decline in sales and profits indicates an alteration in the Company's basic operating circumstances. Consequently, the employment of historic five-year averages is not indicative of the Company's current and future income and cash flow. The appraiser therefore did not use these longer term averages and feels that a three-year average also may not be indicative.

Menke & Associates, Inc.

ANGELES CHEMICAL COMPANY
Exhibit C
Statement of Changes in Financial Position
FY198~~6~~-8~~8~~ 9
7 (000) 7

Year End April 30:	1989	1988	1987	1986
Source of Funds:				
Net Income (Loss)	$ 110	$ 14	$ 67	$139
Item not Requiring Working Capital:				
Depreciation	211	419*	157	98
Other Sources:				
Tax Refunds	—	--	--	7
Sale of Assets		1	8	10
Increase in Long-Term Debt		(2)	162	--
Total Source of Funds		433	395	255
Application of Funds:				
Decrease in Long-Term Debt		61	87	--
Purchase of Assets		310	522	82
Deposit Decrease		10	--	--
Paid-In Capital		--	--	113
Total Application of Funds		381	608	31)
Increase (Decrease) in Working Capital	Non	$ 52	$(213)	$286
Changes in Working Capital - Increase (Decrease)				
Cash + Equiv	3128	$ 40	$(681)	$369
Accounts Receivable	(43)	(99)	12	(286)
Inventories	54	(21)	197	(30)
Prepaid Expenses		(26)	91	92
Accounts Payable		38	509	3
Accrued Payroll		12	(19)	(1)
Payroll & Sales Tax Payable		(35)	1	(4)
Income Taxes Payable		--	(94)	180
Drum Deposits		46	(36)	(12)
Customer Deposits		10	(3)	(4)
Employee Benefit & Welfare		(1)	(1)	--
Loans/Notes Payable		101	(193)	--
Accrued Profit Sharing		--	3	25
Other		13	--	--
Increase (Decrease) in Working Capital		$ 52	$(213)	$286

* Depreciation source in fiscal 1888 is higher than operating depreciation because of capitalization of drums.

SOURCE: Company financial statements (unaudited).

spon...

"We fe... tion was mer... shell if you will, ... partners have been hiding for the la... 12 or 15 years," Mr. LeResche said.

The suit also charges that the oil companies misrepresented their ability to contain and clean up oil spills.

California Air Board Adopts a Broad Plan To Counter Pollution

EL MONTE, Calif., Aug. 15 (AP) — The state Air Resources Board today approved a far-reaching plan to clean up air pollution in Southern California.

The vote was 8 to 0. It came despite industry opposition that had prompted the board to request additional information from the regional agencies that developed the program, which is intended to enable the region to meet Federal clean-air standards by the year 2007.

One board member, Supervisor Harriet Wieder of Orange County, called the plan a "leap into a brave new world." But William T. Huston, a commercial developer leading a coalition of business and labor interests, called it "Texas justice."

"They're acting as their own judge, jury and executioner," Mr. Huston said.

Clarification, but No Change

The Air Resources Board presented two reports to clarify questions raised by business and political interests, but it made no changes in adopting the plan.

Opponents declined to say what their next step would be.

The authorities in Southern California have been working under a court order to comply with standards set by the Federal Clean Air Act and enforced by the Environmental Protection Agency to clean up the air in the Los Angeles basin, the most polluted in the country.

The plan represents a comprehensive approach to improving air quality. It incorporates land-use planning, transportation programs and stricter standards for industry smokestacks, automotive emissions and fuels.

It was made final last March, after more than five years in development, by the South Coast Air Quality Management District and the Southern California Association of Governments.

A 3-Part Program

The first part of the three-phase program calls for more than 120 rules, including the chemical reformulation of aerosol sprays and stricter controls on industry smokestacks.

Existing smog-control rules were incorporated in the plan, but it also serves as a blueprint for the future by outlining the process for adopting new rules and by planning for the use of anti-pollution technologies yet to be perfected.

The state and regional agencies can now begin enacting the plan's clean-air provisions, even though the Federal Environmental Protection Agency has yet to give its approval, said Bill Sessa, a spokesman for the Air Resources Board.

The Air Resources Board expects to achieve at least half the benefits outlined by the plan through its regulation of tailpipe emissions from cars, trucks and buses, Mr. Sessa said.

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…girls w… …t alone while their …other, Opal Johnson, was talking to a contractor outside. Investigators believe an aluminum skillet left on the stove melted and ignited the kitchen wall that adjoined the girls' bedroom.

Ms. Johnson was treated for shock.

Two California Highway Patrol officers, Jim Goodman and Darren Cunningham, had tried to save the youngsters but were forced back by the fierce heat.

A cigarette was also the likely cause of the third fire, which killed 85-year-old Jack Hupp, Mr. Iverson said. Mr. Hupp died after the fire started in his basement apartment in a three-story Victorian home, said Samuel Hudson, who lived in the rest of the house with his mother.

The blaze was reported at 7:20 P.M. Monday, Mr. Iverson said. The fire destroyed the apartment but did little damage to the rest of the structure, Mr. Hudson said, estimating damage at about $40,000. One firefighter was treated for smoke inhalation.

Mr. Hupp, who had recently been hospitalized for a fall, could walk only with a walker and needed oxygen for emphysema, Mr. Hudson said.

Nearly 60 firefighters battled the three blazes, according to the Oakland Fire Department's Assistant Chief, John Baker, who said the department will bring in a counselor to help the firefighters cope with the death toll.

Chief Baker said it was the worst rash of fire fatalities he could remember.

	1989	89/88 Δ	1988		
SALES	$ 9,002,717.29		$ 9,442,310.77	100	
COST OF SALES	6,945,124.01		7,039,884.66	74	
GROSS PROFIT	2,057,593.28		2,402,426.11	25	
OPERATING EXPENSES					
ADMINISTRATIVE SALARIES	124,000.00	(50,000)	174,075.00		
DIRECT WAGES	269,971.97		277,885.82		
INDIRECT WAGES	48,687.97	(58,000)	106,061.98		
SALES WAGES	77,825.13	(37,000)	115,193.28		
OFFICE WAGES	98,748.51	(21,000)	119,772.83		Office Wages
PLANT EXPENSE	35,359.55		46,426.32		
LAB EXPENSE	5,195.60		4,931.14		
TRUCK EXPENSE	115,210.04	+12,000	103,589.83		
AUTO & TRAVEL	43,350.31	(7,000)	51,738.05		
FREIGHT-IN	72,478.50		82,532.40		
FREIGHT OUT	115,995.33	(65,000)	180,898.39		Freight Out
DRUM MAINTENANCE	158,626.34	+69,000	89,483.55		Drum Maint
TANK TESTING EXPENSE	6,600.00		6,600.00		
REPAIRS & MAINTENANCE	27,121.11		28,950.00		
SALES PROM. TRAVEL	16,461.48		15,939.54		
PRINTING PREP. EXPENSE	22,834.41	(83,000)	105,435.47		Print Prep
OUTSIDE LABOR	96,260.90	+86,000	10,526.56		
EQUIPMENT RENTAL	1,788.44		121,000.00		Rent
RENT	132,000.00	+ 11,000	11,086.23		
OFFICE SUPPLIES	10,949.75		12,393.17		
COMPUTER EXPENSE	11,024.51	+15,000	40,862.10		
PROFESSIONAL SERVICES	36,735.52		15,950.10		
TAXES & LICENSES	16,070.11	(11,000)	60,875.91		
PAYROLL TAXES	49,771.43		35,576.42		Bus Prom-
BUSINESS PROMOTION	14,300.75	(21,000)	18,346.79		Advert.
ADVERTISING	8,028.59	(68,000)	75,146.01		Comm.
POSTAGE	5,117.40		3,870.49		
COMMISSIONS	92,191.66		125,073.41		Comm Both
DIRECTORS FEES	9,000.00		9,000.00		
DONATIONS	182.32		529.44		
CASUALTY INSURANCE	99,474.01	+10,000	89,354.38		
WORKMENS COMP. INSURANCE	29,622.06		25,514.21		
GROUP INSURANCE	72,782.62		73,853.82		
DUES & SUBSCRIPTIONS	4,894.58		3,784.38		
UTILITIES	$ 18,438.49		$ 17,792.63		
TELEPHONE	23,136.76	(7,000)	30,001.77		
DEPRECIATION	211,263.60		193,776.60	2	
EMPLOYEE WELFARE	8,542.46		7,959.78		
UNIFORM EXPENSE	2,322.98		5,398.29		
BAD DEBTS	906.98		(6,226.38)	(	
PROFIT SHARING EXPENSE (Buy stock)	9,545.67		6,495.19		
TOTAL OPERATING EXPENSES	2,202,817.84		2,497,454.90	26	
OPERATING INCOME OR (LOSS)	(145,224.56)		(95,028.79)	(1	
OTHER INCOME					
DISCOUNTS EARNED	4,441.79		6,937.20		
DEMURRAGE	3,438.75		5,387.16		
SALE OF ASSETS - Drums	41,835.44		64,850.75		
INTEREST INCOME	18,188.11		5,266.49		
DIVIDEND INCOME	4,608.75		33,258.32		
MISCELLANEOUS INCOME	32,167.97	(41,000)	73,418.93		
	104,680.81		189,118.85	2	
OTHER EXPENSE					
INTEREST EXPENSE	8,704.44		18,724.59		
CONSULTANT EXPENSE	57,500.04		57,500.00		
LOSS (GAIN) SALE OF STOCK	45,688.79		46,959.40		
	111,893.27		123,183.99	1	

ARCHER, BULMAHN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE · PASADENA, CALIFORNIA 91106

To the Board of Directors
Angeles Chemical Co., Inc.

We have compiled the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1989 and the related statement of income for the quarter and year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operation, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Archer, Bulmahn + Co.
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 1989

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1989

ASSETS

CURRENT ASSETS			
PETTY CASH		$ 400.00	
CASH IN BANK		123,394.06	
CASH IN BANK - BORTZ		41,663.77	
CASH IN MONEY MARKET		5,617.03	
CERTIFICATE OF DEPOSIT		200,000.00	
ACCOUNTS RECEIVABLE	$ 1,067,415.56		
ALLOW. FOR DOUBTFUL ACCTS.	(11,508.25)		

NET RECEIVABLES		1,055,907.31	
ACCTS. REC. - STALLION		44,436.00	
ACCTS. REC. - OTHER		38,988.45	
EMPLOYEE ADVANCES		5,154.88	
INVENTORY - CHEMICALS		305,873.61	
INVENTORY - PACKAGING		108,081.69	
INVENTORY - PKG.-BORTZ		304,055.43	
INVENTORY - GASOLINE		1,226.72	
PREPAID INCOME TAX		48,561.00	
PREPAID INTEREST		16,686.47	
PREPAID PROPERTY TAXES		1,897.26	
PREPAID TANK TESTING		.00	
PREPAID INSURANCE		109,728.02	
PREPAID AUTO LEASE		775.00	
PREPAID CONSULTANTS FEES		8,811.01	
PREPAID PACKAGING		49,184.89	
DEPOSITS ON EQUIPMENT		120.00	
DEPOSITS PAID - CARBOY/POLY		5,377.00	
DEPOSITS PAID - REG. DRUMS		10,179.25	
DEPOSITS PAID - PALLETS		316.20	

TOTAL CURRENT ASSETS			$ 2,486,435.05
FIXED ASSETS - AT COST			
OFFICE TRAILER	97,811.43		
TRUCKS & AUTOS	213,056.40		
TANKS & PLANT EQUIPMENT	789,771.46		
FURNITURE & FIXTURES	206,361.76		
CONSTRUCTION IN PROCESS	.00		
PLANT	340,712.78		
DRUMS	196,671.00		

TOTAL FIXED ASSETS		1,844,384.83	
LESS: ACCUMULATED DEPRECIATION		(1,292,398.44)	

NET FIXED ASSETS			551,986.39

TOTAL ASSETS			$ 3,038,421.44
			==========

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1989

LIABILITIES AND CAPITAL

CURRENT LIABILITIES			
ACCOUNTS PAYABLE		$ 705,309.74	
ACCRUED TANK TESTING		5,103.40	
ACCRUED PAYROLL		12,479.12	
ACCRUED COMMISSIONS		21,135.21	
ACCRUED WORKMANS COMP. INSURANCE		3,074.95	
SALES TAX PAYABLE		4,459.14	
INCOME TAXES PAYABLE		300.00	
DRUM DEPOSITS		119,350.00	
EMPLOYEE BENEFIT & WELFARE		1,144.37	
NOTES PAYABLE		102,683.40	
ACCRUED PROFIT SHARING		.00	
TOTAL CURRENT LIABILITIES			$ 975,039.33
LONG TERM LIABILITIES			
NOTE PAYABLE		37,460.92	
TOTAL LONG TERM LIABILITIES			37,460.92
CAPITAL			
CAPITAL STOCK - $.10 PAR VALUE, 1,000,000 SHS. AUTHORIZED, 54,065 SHS. ISSUED & OUTSTANDING		5,406.50	
PAID IN CAPITAL		105,723.80	
RETAINED EARNINGS - BEGINNING	$ 2,024,967.91		
NET INCOME OR (LOSS)	(110,177.02)		
RETAINED EARNINGS		1,914,790.89	
TOTAL CAPITAL			2,025,921.19
TOTAL LIABILITIES & CAPITAL			$ 3,038,421.44

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1989

	CURRENT PERIOD	%	YEAR TO DATE	%
SALES	$ 2,211,313.04	100.0	$ 9,002,717.29	100.0
COST OF SALES	1,669,583.35	75.5	6,945,124.01	77.1
GROSS PROFIT	541,729.69	24.5	2,057,593.28	22.9
OPERATING EXPENSES				
ADMINISTRATIVE SALARIES	24,677.76	1.1	124,000.00	1.4
DIRECT WAGES	74,763.09	3.4	269,971.97	3.0
INDIRECT WAGES	5,360.38	.2	48,687.97	.5
SALES WAGES	21,242.89	1.0	77,825.13	.9
OFFICE WAGES	21,045.35	1.0	98,748.51	1.1
PLANT EXPENSE	11,532.85	.5	35,359.55	.4
LAB EXPENSE	1,522.68	.1	5,195.60	.1
TRUCK EXPENSE	30,399.32	1.4	115,210.04	1.3
AUTO & TRAVEL	12,235.63	.6	43,350.31	.5
FREIGHT-IN	19,444.90	.9	72,478.50	.8
FREIGHT OUT	20,267.79	.9	115,995.33	1.3
DRUM MAINTENANCE	66,359.34	3.0	158,626.34	1.8
TANK TESTING EXPENSE	663.45	.0	6,600.00	.1
REPAIRS & MAINTENANCE	9,995.35	.5	27,121.11	.3
SALES PROM. TRAVEL	2,805.08	.1	16,461.48	.2
PRINTING PREP. EXPENSE	4,785.36	.2	22,834.41	.3
OUTSIDE LABOR	16,328.79	.7	96,260.90	1.1
EQUIPMENT RENTAL	221.00	.0	1,788.44	.0
RENT	33,000.00	1.5	132,000.00	1.5
OFFICE SUPPLIES	3,385.78	.2	10,949.75	.1
COMPUTER EXPENSE	2,734.57	.1	11,024.51	.1
PROFESSIONAL SERVICES	12,593.76	.6	36,735.52	.4
TAXES & LICENSES	5,156.28	.2	16,070.11	.2
PAYROLL TAXES	14,738.77	.7	49,771.43	.6
BUSINESS PROMOTION	4,610.66	.2	14,300.75	.2
ADVERTISING	1,332.34	.1	8,028.59	.1
POSTAGE	1,400.94	.1	5,117.40	.1
COMMISSIONS	25,535.56	1.2	92,191.66	1.0
DIRECTORS FEES	2,250.00	.1	9,000.00	.1
DONATIONS	22.32	.0	182.32	.0
CASUALTY INSURANCE	23,338.26	1.1	99,474.01	1.1
WORKMENS COMP. INSURANCE	7,377.17	.3	29,622.06	.3
GROUP INSURANCE	15,239.32	.7	72,782.62	.8
DUES & SUBSCRIPTIONS	1,379.61	.1	4,894.58	.1

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1989

	CURRENT PERIOD	%	YEAR TO DATE	%
OPERATING EXPENSES-(CONT'D)				
UTILITIES	$ 4,743.48	.2	$ 18,438.49	.2
TELEPHONE	5,971.10	.3	23,136.76	.3
DEPRECIATION	66,132.82	3.0	211,263.60	2.3
EMPLOYEE WELFARE	2,519.34	.1	8,542.46	.1
UNIFORM EXPENSE	406.12	.0	2,322.98	.0
BAD DEBTS	(40.89)	.0	906.98	.0
PROFIT SHARING EXPENSE	3,455.70	.2	9,545.67	.1
TOTAL OPERATING EXPENSES	580,934.02	26.3	2,202,817.84	24.5
OPERATING INCOME OR (LOSS)	(39,204.33)	(1.8)	(145,224.56)	(1.6)
OTHER INCOME				
DISCOUNTS EARNED	581.69	.0	4,441.79	.0
DEMURRAGE	986.25	.0	3,438.75	.0
SALE OF ASSETS	41,835.44	1.9	41,835.44	.5
INTEREST INCOME	4,896.09	.2	18,188.11	.2
DIVIDEND INCOME	.00	.0	4,608.75	.1
MISCELLANEOUS INCOME	8,931.40	.4	32,167.97	.4
	57,230.87	2.6	104,680.81	1.2
OTHER EXPENSE				
INTEREST EXPENSE	1,428.36	.1	8,704.44	.1
CONSULTANT EXPENSE	14,375.01	.7	57,500.04	.6
LOSS (GAIN) SALE OF STOCK	.00	.0	45,688.79	.5
	15,803.37	.7	111,893.27	1.2
NET INCOME OR (LOSS) BEFORE TAXES	2,223.17	.1	(152,437.02)	(1.7)
PROVISION FOR TAXES	42,560.00	1.9	42,260.00	.5
NET INCOME OR (LOSS)	$ 44,783.17	2.0	$(110,177.02)	(1.2)

SEE ACCOUNTANTS COMPILATION REPORT

BR000468

TELECOPY TRANSMISSION
FROM
8915 Sorensen Ave.
Satna Fe Springs, Ca 90670

DATE 9-15-89 FAX TELECOPY NO: 213-698-7571

TO: ERIC BRAMSTED

FROM: JIM Froelich - ANGChem

NUMBER OF PAGES INCLUDING COVER SHEET: 2

IF YOU DO NOT RECEIVE ALL MATERIAL BEING TRANSMITTED, PLEASE CALL US AT (213-945-3911) AS SOON AS POSSIBLE. THANK YOU!

SPECIAL INSTRUCTIONS: CPA's CASH FLOW FYE 6/30/89

ANGELES CHEMICAL CO., INC.

ANGELES CHEMICAL COMPANY, INCORPORATED
STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE YEAR ENDED APRIL 30, 1989

CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH RECEIVED FROM CUSTOMERS	9,136,314.97
CASH PAID TO SUPPLIERS AND EMPLOYEES	(8,962,566.16)
OTHER RECEIPTS	35,606.72
INTEREST AND DIVIDENDS RECEIVED	22,796.86
INTEREST PAID	(8,704.23)
INCOME TAXES REFUNDED	50,788.00
INCOME TAXES PAID	(901.00)
NET CASH PROVIDED BY OPERATING ACTIVITIES	273,335.16
CASH FLOWS FROM INVESTING ACTIVITIES:	
PROCEEDS FROM SALE OF EQUIPMENT	9,300.00
PROCEEDS FROM SALE OF SECURITIES	192,094.03
PAYMENTS FOR PURCHASE OF FIXED ASSETS	(95,079.82)
NET CASH PROVIDED BY INVESTING ACTIVITIES	106,314.21
CASH FLOWS FROM FINANCING ACTIVITIES:	
PROCEED FROM NEW BORROWINGS	175,916.00
PRINCIPAL PAYMENTS ON OUTSTANDING DEBT	(141,135.91)
LOANS TO EMPLOYEES	(139,826.00)
COLLECTION OF EMPLOYEE LOANS	186,990.00
LOANS TO OTHERS	(60,209.00)
COLLECTION OF LOANS FROM OTHERS	30,188.52
LOANS TO STALLION TANK LINES	(128,277.00)
COLLECTION OF LOANS FROM STALLION	107,455.51
NET CASH USED BY FINANCING ACTIVITIES	(18,897.88)
NET INCREASE IN CASH DURING THE YEAR	360,751.49
CASH AT BEGINNING OF YEAR	10,333.27
CASH AT END OF YEAR	371,084.76

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

NET INCOME (LOSS)	(110,177.02)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION	211,263.60
(GAIN) LOSS ON SALE OF EQUIPMENT	(41,835.44)
LOSS ON SALE OF SECURITIES	45,689.00
CHANGE IN ASSETS AND LIABILITIES:	
ACCOUNTS RECEIVABLE	133,597.68
INVENTORIES	53,626.45
PREPAID EXPENSES AND DEPOSITS	(79,040.89)
ACCOUNTS PAYABLE	134,913.47
CUSTOMER DEPOSITS	(22,753.00)
ACCRUED EXPENSES	(59,575.69)
INCOME TAXES	7,627.00
TOTAL ADJUSTMENTS	383,512.18
NET CASH PROVIDED BY OPERATING ACTIVITIES	273,335.16

ANGELES CHEMICAL CO., INC.
STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE YEAR ENDED APRIL 30, 1989

CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH RECEIVED FROM CUSTOMERS	$9,136,314.97
CASH PAID TO SUPPLIERS AND EMPLOYEES	(8,962,566.16)
OTHER RECEIPTS	35,606.72
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CASH AT BEGINNING OF YEAR	10,333.27
CASH AT END OF YEAR	371,084.76

RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

NET INCOME (LOSS)	(110,177.02)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
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INCOME TAXES	7,627.00
TOTAL ADJUSTMENTS	383,512.18
NET CASH PROVIDED BY OPERATING ACTIVITIES	$273,335.16

SEE ACCOUNTANTS COMPILATION REPORT

TO Eric

FROM Jim Froelich
Angeles

SUBJECT ESOP Stock Evaluation

DATE 7/17/89

MESSAGE Enclosed are copies of the 4-30-89 tax returns & financial statements for your use in preparing the ESOP stock evaluation. Please call if you have questions.

SIGNED Jim Froelich

REPLY

213-945-3911

SIGNED

DATE / /

Rediform 4S 472
Poly Pak (50 sets) 4P472

SEND PARTS 1 AND 3 WITH CARBON INTACT - PART 3 WILL BE RETURNED WITH REPLY

INCOME YEAR

1988 Corporation Franchise or Income Tax Return

FORM **100**

For income year beginning MAY | 1 | 1988, and ending APRIL | 30 | 1989.

Affix Preaddressed Label

California corporation number: D-0637921

Federal employer identification number: 95-2748321

Corporation name: ANGELES CHEMICAL CO., INC.

Address: 8915 SORENSEN AVENUE

City: SANTA FE SRPINGS, State: CA, ZIP code: 90670

Questions

A Final return? ☐ Dissolved ☐ Withdrawn ☐ Merged/Reorganized

☐ IRC Section 338 Sale If a box is checked, enter date ______

B Is income included in a combined report of a unitary group? ☐ Yes ☒ No

C Is the corporation to be treated as a Real Estate Mortgage Investment Conduit for California purposes? ☐ Yes ☒ No

D Did this bank or corporation, in whole or in part, determine its income pursuant to a water's-edge election? ☐ Yes ☒ No

E Does this corporation or bank or any of its related entities have either 1) property, payroll or sales in foreign countries which exceeds $10,000,000; or 2) total assets everywhere which exceed $250,000,000? ☐ Yes ☒ No

F Did this corporation or its subsidiary(ies) have a change in control or ownership this year, or acquire ownership or control of any other legal entity since 1/1/80? ☐ Yes ☒ No

G Did the corporation or combined group pay more than $100,000 in local personal property taxes and/or business license taxes in California during this income year? ☐ Yes ☒ No

H Principal business activity code: 5160

I Check here only if claiming enterprise zone or program area tax benefits: ☐

J Check here only if claiming technological property contribution tax benefits: ☐

K Date incorporated 11-1-71 Where? CA

Section	Line	Description	Sub-line	Sub-amount	Line	Amount
State adjustments	1	Net income (loss) before state adjustments (see Specific Instructions)			1	(117,606)
	2	Amount deducted for foreign or domestic tax based on income or profits			2	
	3	Amount deducted for tax under the provisions of the Bank and Corporation Tax Law			3	1,201
	4	Interest on government obligations			4	
	5	Net capital loss carryover deducted on Schedule G, line 8			5	
	6	Depreciation in excess of amount allowed under California law (Schedule B)			6	
	7	Amortization in excess of amount allowed under California law (Schedule B)			7	
	8	Other additions (attach schedule) FORM 4797 DIFFERENCE			8	1,287
	9	Total. Add lines 1 through 8			9	(115,118)
	10	Intercompany dividends	10			
	11	Other dividends	11			
	12	Water's-edge dividend deduction (attach form FTB 2411)	12			
	13	Capital losses not deducted on Schedule G, line 8 (attach schedule)	13			
	14	Contributions exceeding allowable federal deduction on Schedule G, line 19	14			
	15	Interest deduction for enterprise zone/program area investment	15			
	16	Other deductions (attach schedule) SCHEDULE B	16	21,175		
	17	Total. Add lines 10 through 16			17	21,175
	18	Net Income (loss) after State adjustments. Subtract line 17 from line 9			18	(136,293)

If all income is derived from California sources, transfer the amount from line 18 to line 19. If income is derived from sources both within and without California, complete Schedule R and transfer the amount from Schedule R, line 24 to line 19 below.

Section	Line	Description	Sub-line	Sub-amount	Line	Amount
Calif. net income	19	Net income (loss) for state purposes			19	(136,293)
	20	Net operating loss (attach form FTB 3805Q)	20			
	21	Net income for tax purposes. Subtract line 20 from line 19			21	(136,293)
Taxes	22	Tax MIN% x amount on line 21 (see General Instructions B and C)			22	300
	23	Tax credits (see instructions)	23			
	24	**Balance.** Subtract line 23 from line 22 (not less than minimum tax if applicable)			24	300
	25	Alternative minimum tax (attach Schedule P (100)). (see General Instruction I)			25	
	26	**Total tax.** Add line 24 and line 25			26	300
Payments	27 a	Overpayment from prior year allowed as a credit	27a	300		
	b	1988 estimated tax payments	27b			
	c	Amount paid with application for extension of time to file return	27c			
	d	Dissolving/Withdrawing – Not applicable if formed after 1971 (Gen. Instr. N)	27d		27	300
Amount due or refund	28	**Tax due.** Subtract line 27 from line 26. Pay this amount with return			28	-0-
	29	**Overpayment.** Subtract line 26 from line 27			29	
	30	Enter amount of line 29 to be credited to 1989 estimated tax	30			
	31	Enter amount of line 29 to be refunded			31	
	32	Penalties and interest (see General Instructions L and M)	32			
		☐ Check box if estimate penalty was computed using Exception C or Exception D and attach form FTB 5806				
	33	**Total amount due.** Pay amount with return			33	-0-

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95-2748321

Schedule A Taxes Deducted

(a) Nature of Tax	(b) Taxing Authority	(c) Amount
SCHEDULE		
Total Taxes Deducted. Enter here and on Schedule G, line 17		67,042

Schedule B Depreciation and Amortization (attach form FTB 3885 or a detailed schedule in support of this schedule)

Part A. Depreciation Claimed		Part B. Amortization Claimed	
1 Total depreciation claimed for federal purposes	190,088	1 Total amortization claimed for federal purposes	
2 Allowable for state purposes	211,263	2 Allowable for state purposes	
3 Depreciation adjustment *	21,175	3 Amortization adjustment *	

* If line 1 is greater than line 2, enter difference on line 3 and on side 1, line 6 or line 7. If line 2 is greater than line 1, enter difference on line 3 and on side 1, line 16.

Note: California has not adopted the federal Accelerated Cost Recovery System (ACRS). See exceptions on form FTB 3885.

Schedule C Tax Credits If the corporation has tentative minimum tax, do not complete this schedule. Use Schedule P (100) to calculate tax credits.

1 Jobs tax credit (form FTB 3524)		5 Commercial solar energy credit (form FTB 3805L)	
2 Energy conserv. credit carryover (form FTB 3514)		6 Technological property contribution carryover	
3 Research and development (form FTB 3523)		7 Other (attach schedules)	
4 Orphan drug research (form FTB 3528)		8 Total. Enter here and on Side 1, line 23	

Schedule D Cost of Goods Sold and/or Operations

1 Inventory at beginning of year	1	
2 Purchases	2	
3 Cost of labor	3	
4 a Additional IRC Section 263A costs (attach schedule)	4a	
b Other costs (attach schedule)	4b	
5 Total. Add lines 1 through 4 SCHEDULE	5	
6 Inventory at end of year	6	
7 Cost of goods sold and/or operations. Subtract line 6 from line 5. Enter here and on Schedule G, line 2	7	7,690,540

Method of inventory valuation ▶ LOWER OF COST (FIFO) OR MARKET

Was there any substantial change in the manner of determining quantities, costs or valuations between opening and closing inventory? ☐ Yes ☒ No

If "Yes," attach an explanation. Enter California sales permit number (if any) ▶

Check if the LIFO inventory method was adopted this income year for any goods (if checked, attach federal Form 970) ☐

If the LIFO inventory method was used for this income year, enter percentage (or amounts) of closing inventory computed under LIFO 8c

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☒ Yes ☐ No

Questions

L Date business began in California or date income was first derived from California sources 11-1-71

M Accounting method used ACCRUAL

N Location of principal accounting records SAME ADDRESS

O Has the federal government redetermined your income tax liability for any prior year(s) which has not previously been reported? ☐ Yes ☒ No
If yes, furnish copy of agent's report under separate cover.

P First return? (Check appropriate box(es))
☐ New business or successor to previously existing business operated as a: ☐ sole proprietorship ☐ partnership ☐ joint venture ☐ corporation ☐ other
(attach statement showing name, address and FEIN of previous business)

Q Enter corporation "doing business as" name SAME

R Was the corporation's income included in a consolidated federal return? ☐ Yes ☒ No

S Is this corporation a Regulated Investment Company for California purposes? ☐ Yes ☒ No

T At any time during the income year, was more than 50% of voting stock;
a of the corporation owned by any single interest? ☐ Yes ☒ No
b of another corporation owned by this corporation? ☐ Yes ☒ No
c of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? ☐ Yes ☒ No
If a, b or c is "yes" furnish statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the social security number.

U Have all required information returns (federal Forms 1099) been filed with the Franchise Tax Board? ☐ N/A ☒ Yes ☐ No

V Corporation headquarters are: ☒ Within California ☐ Outside California, within U.S. ☐ Outside U.S.

W Corporation is: ☐ Apportioning U.S. income to California ☐ Apportioning worldwide income to California ☒ Not apportioning income ☐ Electing to file on a water's-edge basis and is affiliated with a bank or corporation which is not electing to file on a water's-edge basis

Please Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than the taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ▶ **COPY** Title Date Telephone ( )

Paid Preparer's Use Only
Preparer's signature ▶ Date Check if self-employed ▶ ☐ Preparer's SSN/FEIN 548-60-1460
Firm's name (or yours, if self-employed) and address ▶ ARCHER, BULMAHN & CO. PASADENA, CA 91106 E.I. No. ▶ 95-2131722 Telephone ▶ ( )

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95-2748321

Schedule E Compensation of Officers. Complete only if total receipts (Schedule G, line 1a plus line 4 through line 10) are $150,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	(d) Percent of stock owned	(e) Amount of compensation
1		%	%	
SCHEDULE		%	%	
		%	%	
		%	%	

2 Total compensation of officers

3 Less: Compensation of officers claimed in Schedule D and elsewhere on return ( )

4 Compensation of officers deducted on Schedule G, line 12 ... 124000

Schedule F Bad Debts — Reserve Method (Savings and Loan Associations, Banks & Financial Corporations only)

(a) Income year	(b) Accounts outstanding at end of the year	Amount added to reserve: (c) Current year's provision	(d) Recoveries	(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
1983					
1984					
1985					
1986					
1987					
1988					

Schedule G Computation of Net Income

Line	Description		Amount
1	a Gross receipts or gross sales ____ b Less returns and allowances ____ Balance ▶	1c	9002717
2	Cost of goods sold and/or operations (Schedule D)	2	7,690,540
3	Gross profit. Subtract line 2 from line 1	3	1,312,177
4	Dividends (Schedule H)	4	4609
5	a Interest on obligations of the United States and U.S. instrumentalities	5a	18,188
	b Other interest (attach schedule)	5b	
6	Gross rents	6	
7	Gross royalties	7	
8	Capital gain net income (attach federal Schedule D (Form 1120)) *	8	3553
9	Ordinary gain (loss) (attach federal Form 4797)	9	<8593>
10	Other income (attach schedule)	10	63766
11	**Total income.** Add lines 3 through 10	11	1393700

* Capital loss carryover deducted on line 8 must be restored to income on Side 1, line 5. Any net capital loss not reported on line 8 may be deducted on Side 1, line 13.

Line	Description		Amount
12	Compensation of officers (Schedule E)	12	124000
13	Salaries and wages (not deducted elsewhere)	13	225,262
14	Repairs	14	27,123
15	Bad debts (see instructions)	15	11,340
16	Rents	16	132,000
17	Taxes (Schedule A)	17	67,042
18	Interest	18	8,704
19	Contributions (attach schedule)	19	-0-
20	Depreciation — 20: 190088		
21	Less depreciation claimed elsewhere on return — 21a: 172,562	21b	17526
22	Depletion (attach schedule)	22	
23	Advertising	23	8029
24	Pension, profit-sharing, etc., plans	24	9546
25	Employee benefit plans	25	8542
26	Other deductions (attach schedule)	26	872192
27	**Total deductions.** Add lines 12 through 26	27	1,511,306
28	Net income before state adjustments. Subtract line 27 from line 11 and transfer result to Side 1, line 1	28	<117606>

Schedule H Dividend Income (use additional sheet(s) if necessary and attach a detailed schedule of amounts)

(a) Name of Payer	(b) Dividend Received	(c) Type of Stock Common/Preferred
PILGRIM ADJUSTABLE RATE FUND	4609	COMMON

Schedule L Balance Sheets

	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
Assets				
1 Cash		10334		171075
2 Trade notes and accounts receivable	1,211,446		1,067,415	
a Less allowance for bad debts	21,941	1189505	11,508	1055907
3 Inventories		772864		719,237
4 Federal and state government obligations				
5 Other current assets (attach schedule)		215,282		323,922
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule) C.D.'s		233174		200000
9 Buildings and other depreciable assets	1,565238		1647714	
a Less accumulated depreciation	942937	622301	1134262	513452
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)		17473		54527
14 Total assets		3060933		3038121
Liabilities and Stockholders' Equity				
15 Accounts payable		510394		705311
16 Mortgages, notes, bonds payable in less than 1 year		92213		102683
17 Other current liabilities (attach schedule)		249075		166745
18 Loans from stockholders				
19 Mortgages, notes, bonds payable in 1 year or more		13151		37461
20 Other liabilities (attach schedule)				
21 Capital stock: a Preferred stock				
b Common stock	5407	5407	5407	5407
22 Paid-in or capital surplus		105,724		105,724
23 Retained earnings—Appropriated (attach schedule)				
24 Retained earnings—Unappropriated		2024967		1914790
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		3060933		3038121

Schedule M-1 Reconciliation of Income per Books With Income per Return

(You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Net income per books	<110177>	7 Income recorded on books this year not included in this return (itemize):	
2 Federal income tax		a Tax-exempt interest $	
3 Excess of capital losses over capital gains		TAX BENEFIT FROM LOSS CARRYBACK	43461
4 Income subject to tax not recorded on books this year (itemize): SEC. 481 ADJUST. TO OTHER INCOME - STMT #2	23534	8 Deductions in this tax return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted in this return (itemize):		a Depreciation . . . $	
a Depreciation . . . $ 21176		b Contributions carryover $	
b Contributions carryover $ 782		FORM 4797 DIFF. 1287	
c Travel and entertainment $ 2860		BAD DEBT EXP. 10433	
4/89 CA INC TAX 300	24518	4/88 CA INC. TAX 300	12020
		9 Total of lines 7 and 8	55481
6 Total of lines 1 through 5	<62125>	10 Income (line 28, page 1)—line 6 less line 9	<117606>

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 24, Schedule L)

(You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Balance at beginning of year	2024967	5 Distributions: a Cash	
2 Net income per books	<110177>	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Total of lines 5 and 6	
4 Total of lines 1, 2, and 3	1914790	8 Balance at end of year (line 4 less line 7)	1914790

SCHEDULE D (Form 1120)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, and certain Forms 990-T

OMB No. 1545-0123

1988

Name: ANGELES CHEMICAL CO., INC.

Employer identification number: 95-2748321

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less (Six months or less if acquired before 1/1/88)

(a) Kind of property and description (Example, 100 shares of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis, plus expense of sale	(f) Gain (or loss) ((d) less (e))
1					

2 Short-term capital gain from installment sales from Form 6252, line 22 or 30	2	
3 Unused capital loss carryover (attach computation)	3	( )
4 Net short-term capital gain or (loss)	4	

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year (More than six months if acquired before 1/1/88)

(a)	(b)	(c)	(d)	(e)	(f)
5					
PILGRIM ADJUSTABLE					
RATE FUND –					
10,320 SHARES	1985 & 1986	7/11/88	187485	233174	(45689)

6 Enter gain from Form 4797, line 7 or 9	6	49,242
7 Long-term capital gain from installment sales from Form 6252, line 22 or 30	7	
8 Net long-term capital gain or (loss)	8	3553

Part III Summary of Parts I and II

9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	3553
11 Total of lines 9 and 10. Enter here and on Form 1120, line 8, page 1; or the proper line on other returns	11	3553

Note: If losses exceed gains, see instructions on capital losses for explanation of capital loss carrybacks.

Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose of Form

This Schedule D should be used by a taxpayer whose tax year begins in 1988 and who files either Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, or certain Forms 990-T, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), gain from the disposition of interest in oil, gas, or geothermal property, and the section 291 adjustment to section 1250 gains should be reported on **Form 4797**, Sales of Business Property. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use **Form 4684**, Casualties and Thefts.

Parts I and II

Generally, a corporation should report sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons (sections 1091 and 267).

In Part I, report the sale or exchange of capital assets held one year or less. In Part II, report the sale or exchange of capital assets held more than one year. For property acquired before January 1, 1988, the holding period is 6 months.

What Are Capital Assets?—Each item of property the corporation held (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights; literary, musical, or artistic compositions; letters or memorandums; or similar property.

INCOME YEAR

19 88

Depreciation and Amortization

CALIFORNIA FORM

3885

▸ Attach to Form 100

Corporation name: ANGELES CHEMICAL CO., INC.

California corporation number: D-0637921

Part I Depreciation

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Method of figuring depreciation	(f) Life or rate	(g) Depreciation for this year
1 Total additional first-year depreciation. See instructions for limitation. Do not include below						
2 Other depreciation (see instructions):						
OFFICE TRAILERS	4/74 TO 4/85	97,812	88772	DDB	7 TO 9 YRS	4568
TRUCKS & TRAILERS	11/81 TO 12/86	184257	107210	SL	3 TO 6 YRS.	28407
✓ ✓ ✓	1987	3476	738	DDB	5 YRS	1,095
✓ ✓ ✓	8/88 TO 3/89	61868	-0-	DDB	5 YRS	11430
PLANT EQUIPMENT	3/72 TO 3/27	638761	313852	SL/DDB	5 TO 9 YRS	97822
✓ ✓	5/87 TO 3/88	98452	10877	DDB	7	25021
✓ ✓	6/88 TO 2/89	52558	-0-	DDB	5 TO 7 YRS	7659
FURN. & FIXT.	11/71 TO 4/87	191539	26612	SL	5 TO 7 YRS	24150
✓ ✓ ✓	7/87 TO 4/88	9096	1422	DDB	5 TO 7 YRS	2767
✓ ✓ ✓	6/88 TO 11/88	5727	-0-	DDB	5 TO 7 YRS	1117
PLANT	8/75 TO 11/86	324861	268252	SL/DDB	5 TO 20 YRS	5065
✓	MARCH 1988	1298	10	DDB	31 YRS	83
✓	7/88 TO 4/89	14554	-0-	DDB	7 YRS	2079
DELETIONS		⟨36,545⟩				
3 Total. Enter here and on Form 100						211263

Part II Amortization of Property

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) Code section	(f) Period or percentage	(g) Amortization for this year
Total. Enter here and on Form 100						

BR000478

Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also, Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F)

▶ Attach to your tax return. See separate Instructions.

OMB No. 1545-0184

1988

Attachment Sequence No. 27

Name(s) as shown on return: ANGELES CHEMICAL CO.

Identifying number: 95-2748321

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (More Than 6 Months If Acquired Before 1/1/88)

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1988 on Form(s) 1099-S (or an equivalent statement) that you will be including on lines 2 or 10 (column d), or on line 20. (Form 1099-S is a Statement for Recipients of Proceeds From Real Estate Transactions.) . . . 1

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
2							

	(g) LOSS	(h) GAIN
3 Gain, if any, from Form 4684, Section B, line 21		
4 Section 1231 gain from installment sales from Form 6252, line 22 or 30		
5 Gain, if any, from Part III, line 32, from other than casualty and theft.		49,242
6 Add lines 2 through 5 in columns (g) and (h)	( )	49,242
7 Combine columns (g) and (h) of line 6. Enter gain or (loss) here, and on the appropriate line as follows (partnerships see the instructions for line references):		49,242

If line 7 is zero or a loss, enter the amount on line 11 below and skip lines 8 and 9. (S corporations enter the loss on Schedule K (Form 1120S), line 5.) If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see Instructions)

9 Subtract line 8 from line 7. If zero or less, enter zero

If line 9 is zero, enter the amount from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the amount from line 9 as a long-term capital gain on Schedule D. See Specific Instructions for line 9.

Part II Ordinary Gains and Losses

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less) (6 months or less if acquired before 1/1/88):							
'71 FORD TRK	4/01/75	3/01/89	3300	12,190	12,190		3300
'64 STAKE TRK	10/01/86	9/01/88	1000	2146	5598	2452	
'77 TRACTOR	10/01/86	8/01/88	5000	4658	9316		342
REPAIR #2 TRK	8/01/88	3/01/89	-0-	294	2,942	2,648	
REPAIR #4 TRK	1/01/89	4/01/89	-0-	650	6,498	5,848	

	(g) LOSS	(h) GAIN
11 Loss, if any, from line 7		
12 Gain, if any, from line 7, or amount from line 8 if applicable		
13 Gain, if any, from line 31, Part III		
14 Net gain or (loss) from Form 4684, Section B, lines 13 and 20a		
15 Ordinary gain from installment sales from Form 6252, line(s) 21 and/or 29.		
16 Recapture of section 179 deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see Instructions)		
17 Add lines 10 through 16 in columns (g) and (h)	(10948)	3642

18 Combine columns (g) and (h) of line 17. Enter gain or (loss) here, and on the appropriate line as follows: (7306)

a For all except individual returns: Enter the gain or (loss) from line 18, on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, Section B, Part II, column (b)(ii), enter that part of the loss here and on line 21 of Schedule A (Form 1040). Identify as from "Form 4797, line 18b(1)"

(2) Redetermine the gain or (loss) on line 18, excluding the loss (if any) on line 18b(1). Enter here and on Form 1040, line 15

For Paperwork Reduction Act Notice, see page 1 of separate Instructions.

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

Skip section 1252 on line 27 and in the Instructions if you did not dispose of farmland or if you are a partnership.

19 Description of sections 1245, 1250, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
A STORAGE CONTAINERS	1987 & PRIOR	4/30/89
B		
C		
D		

Relate lines 19A through 19D to these columns ►	Property A	Property B	Property C	Property D
20 Gross sales price	57930			
21 Cost or other basis plus expense of sale	8688			
22 Depreciation (or depletion) allowed (or allowable)	N.A.			
23 Adjusted basis, subtract line 22 from line 21	8688			
24 Total gain, subtract line 23 from line 20	49242			
25 If section 1245 property:				
a Depreciation allowed (or allowable) (see Instructions)				
b Enter the smaller of line 24 or 25a				
26 If section 1250 property: If straight line depreciation was used, enter zero on line 26g unless you are a corporation subject to section 291.				
a Additional depreciation after 12/31/75				
b Applicable percentage times the smaller of line 24 or line 26a (see Instructions)				
c Subtract line 26a from line 24. If line 24 is not more than line 26a, skip lines 26d and 26e				
d Additional depreciation after 12/31/69 and before 1/1/76				
e Applicable percentage times the smaller of line 26c or 26d (see Instructions)				
f Section 291 amount (for corporations only)				
g Add lines 26b, 26e, and 26f				
27 If section 1252 property:				
a Soil, water, and land clearing expenses				
b Line 27a times applicable percentage (see Instructions)				
c Enter the smaller of line 24 or 27b				
28 If section 1254 property:				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see Instructions)				
b Enter the smaller of line 24 or 28a				
29 If section 1255 property:				
a Applicable percentage of payments excluded from income under section 126 (see Instructions)				
b Enter the smaller of line 24 or 29a				

Summary of Part III Gains (Complete property columns A through D through line 29b before going to line 30.)

30 Total gains for all properties (add columns A through D, line 24)	49,242
31 Add columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and in Part II, line 13. (see the Instructions for Part IV if this is an installment sale)	
32 Subtract line 31 from line 30. Enter the portion from casualty and theft on Form 4684, Section B, line 15. Enter the portion from other than casualty and theft on Form 4797, Part I, line 5	49,242

Part IV Complete This Part Only if You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

33 Check here if you elect out of the installment method ► ☐

34 Enter the face amount of the note or other obligation ►

35 Enter the percentage of valuation of the note or other obligation ►

Part V Computation of Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less (See Instructions for Part V.)

	(a) Section 179	(b) Section 280F
1 Section 179 expense deduction or section 280F recovery deductions		
2 Depreciation or recovery deductions (see Instructions)		
3 Recapture amount (subtract line 2 from line 1) (see Instructions for where to report)		

BR000480

Form **1120**

Department of the Treasury Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1988 or tax year beginning MAY 1, 1988, ending APRIL 30, 19 89

► For Paperwork Reduction Act Notice, see page 1 of the instructions.

OMB No. 1545-0123

1988

Check if a—
A Consolidated return ☐
B Personal holding co. ☐
C Personal service corp. (as defined in Temp. Regs. sec. 1.441-4T—see instructions) ☐

Use IRS label. Otherwise, please print or type.

Name: ANGELES CHEMICAL CO., INC.

Number and street (or P.O. box number if mail is not delivered to street address): 8915 SORENSEN AVENUE

City or town, state, and ZIP code: SANTA FE SPRINGS, CA 90670

D Employer identification number: 95-2748321

E Date incorporated: 11-1-71

F Total assets (See Specific Instructions.) Dollars / Cents: $ 3,038,121

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change in address

	Line	Description			Amount
Income	1a	Gross receipts or sales ____ b Less returns and allowances ____ c Bal ►		1c	9,002,717
	2	Cost of goods sold and/or operations (Schedule A)		2	7,690,540
	3	Gross profit (line 1c less line 2)		3	1,312,177
	4	Dividends (Schedule C, line 19)		4	4,609
	5	Interest		5	18,188
	6	Gross rents		6	
	7	Gross royalties		7	
	8	Capital gain net income (attach separate Schedule D)		8	3,553
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)		9	(8,593)
	10	Other income (see instructions—attach schedule)		10	63,766
	11	Total income—Add lines 3 through 10 and enter here ►		11	1,393,700
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E)		12	124,000
	13a	Salaries and wages ____ b Less jobs credit ____ c Balance ►		13c	225,262
	14	Repairs		14	27,123
	15	Bad debts		15	11,340
	16	Rents		16	132,000
	17	Taxes		17	67,042
	18	Interest		18	8,704
	19	Contributions (see instructions for 10% limitation)		19	-0-
	20	Depreciation (attach Form 4562)	20: 190,088		
	21	Less depreciation claimed in Schedule A and elsewhere on return	21a: 172,562	21b	17,526
	22	Depletion		22	
	23	Advertising		23	8,029
	24	Pension, profit-sharing, etc., plans		24	9,546
	25	Employee benefit programs		25	8,542
	26	Other deductions (attach schedule)		26	872,192
	27	Total deductions—Add lines 12 through 26 and enter here ►		27	1,511,306
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)		28	(117,606)
	29	Less: a Net operating loss deduction (see instructions)	29a:		
		b Special deductions (Schedule C, line 20)	29b: 3,226	29c	3,226
Tax and Payments	30	Taxable income (line 28 less line 29c)		30	(120,832)
	31	Total tax (Schedule J)		31	-0-
	32	Payments: a 1987 overpayment credited to 1988	32a: 4,800		
	b	1988 estimated tax payments	32b:		
	c	Less 1988 refund applied for on Form 4466	32c: ( ) d Bal ► 32d: 4,800		
	e	Tax deposited with Form 7004	32e:		
	f	Credit from regulated investment companies (attach Form 2439)	32f:		
	g	Credit for Federal tax on fuels (attach Form 4136)	32g:	32h	4,800
	33	Enter any penalty for underpayment of estimated tax—check ► ☐ if Form 2220 is attached		33	
	34	Tax due—If the total of lines 31 and 33 is larger than line 32h, enter amount owed		34	
	35	Overpayment—If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		35	4,800
	36	Enter amount of line 35 you want: Credited to 1989 estimated tax ► 1,000 Refunded ►		36	3,800

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

► Signature of officer **COPY** Date ► Title

Paid Preparer's Use Only

Preparer's signature ► Date Check if self-employed ☐ Preparer's social security number: 548 60 1460

Firm's name (or yours if self-employed) and address ► ARCHER, BULMAHN & CO. PASADENA, CA E.I. No. ► 95 2131722 ZIP code ► 91106

BR000481

Schedule A Cost of Goods Sold and/or Operations (See instructions for line 2, page 1.)

1	Inventory at beginning of year	1	
2	Purchases	2	STATEMENT
3	Cost of labor	3	
4a	Additional section 263A costs (see instructions—attach schedule)	4a	NO. 1
b	Other costs (attach schedule)	4b	
5	Total—Add lines 1 through 4b	5	
6	Inventory at end of year	6	
7	Cost of goods sold and/or operations—Line 5 less line 6. Enter here and on line 2, page 1	7	7690540

8a Check all methods used for valuing closing inventory:
(i) ☐ Cost (ii) ☒ Lower of cost or market as described in Regulations section 1.471-4 (see instructions)
(iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)
(iv) ☐ Other (Specify method used and attach explanation.) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO | 8c |

d Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☒ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (See Schedule C instructions.)

		(a) Dividends received	(b) %	(c) Special deductions: multiply (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	4609	70	3226
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		41.176	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		47.059	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	--	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9	Total—Add lines 1 through 8. See instructions for limitation			3226
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13	Other dividends from foreign corporations not included in lines 3, 6, 7, 8, and 11			
14	Income from controlled foreign corporations under subpart F (attach Forms 5471)			
15	Foreign dividend gross-up (section 78)			
16	IC-DISC and former DISC dividends not included in lines 1, 2, and/or 3 (section 246(d))			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
19	Total dividends—Add lines 1 through 17. Enter here and on line 4, page 1. ▶	4609		
20	Total deductions—Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶			3226

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are $150,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
1		%	%	%	
SCHEDULE #1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	

2	Total compensation of officers	
3	Less: Compensation of officers claimed in Schedule A and elsewhere on return	( )
4	Compensation of officers deducted on line 12, page 1	124000

Schedule J **Tax Computation** (See instructions.)

1 Check if you are a member of a controlled group (see sections 1561 and 1563) ▶ ☐		
2 If line 1 is checked:		
a Enter your share of the $50,000 and $25,000 taxable income bracket amounts (in that order): (i) $ (ii) $		
b Enter your share of the additional 5% tax (not to exceed $11,750) $		
3 Income tax (See instructions to figure the tax). Check this box if the corporation is a qualified personal service corporation (see instructions) ▶ ☐	3	-0-
4a Foreign tax credit (attach Form 1118) — 4a		
b Possessions tax credit (attach Form 5735) — 4b		
c Orphan drug credit (attach Form 6765) — 4c		
d Credit for fuel produced from a nonconventional source (see instructions) — 4d		
e General business credit. Enter here and check which forms are attached: ☐ Form 3800 ☐ Form 3468 ☐ Form 5884 ☐ Form 6478 ☐ Form 6765 ☐ Form 8586 — 4e		
f Credit for prior year minimum tax (attach Form 8801) — 4f		
5 Total—Add lines 4a through 4f	5	-0-
6 Line 3 less line 5	6	-0-
7 Personal holding company tax (attach Schedule PH (Form 1120))	7	
8 Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611	8	
9a Alternative minimum tax (see instructions—attach Form 4626)	9a	
b Environmental tax (see instructions—attach Form 4626)	9b	
10 Total tax—Add lines 6 through 9b. Enter here and on line 31, page 1	10	-0-

Additional Information (See instruction F.)

	Yes	No
H Refer to the list in the instructions and state the principal:		
(1) Business activity code no. ▶ 5160		
(2) Business activity ▶ DISTRIBUTION		
(3) Product or service ▶ PETROLEUM PRODUCTS		
I (1) Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		X
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		
(2) Did any individual, partnership, corporation, estate, or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (c)		X
(a) Attach a schedule showing name, address, and identifying number.		
(b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions.) Note: *If "Yes," the corporation may have to file Form 5472.* N/A		
If "Yes," enter owner's country ▶		
J Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.)		X
If "Yes," attach Form 5471 for each such corporation.		
K At any time during the tax year, did the corporation have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
(See instruction F and filing requirements for form TD F 90-22.1.)		
If "Yes," enter name of foreign country ▶		
L Was the corporation the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not the corporation has any beneficial interest in it?		X
If "Yes," the corporation may have to file Forms 3520, 3520-A, or 926.		
M During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
N During this tax year did the corporation maintain any part of its accounting/tax records on a computerized system?	X	
O Check method of accounting: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) ▶		
P Check this box if the corporation issued publicly offered debt instruments with original issue discount ☐ If so, the corporation may have to file Form 8281.		
Q Enter the amount of tax-exempt interest received or accrued during the tax year ▶		
R Enter the number of shareholders at the end of the tax year if there were 35 or fewer shareholders ▶ 3		

Schedule L Balance Sheets

Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1 Cash		10334		171075
2 Trade notes and accounts receivable	1,211,446		1067415	
a Less allowance for bad debts	21941	1189505	11508	1055907
3 Inventories		772864		715,237
4 Federal and state government obligations				
5 Other current assets (attach schedule)		215,282		323,922
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule) C.D.'s		233174		200000
9 Buildings and other depreciable assets	1,565238		1647714	
a Less accumulated depreciation	942937	622301	1134262	513452
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)		17473		54527
14 Total assets		3060933		3038121
Liabilities and Stockholders' Equity				
15 Accounts payable		570396		705,311
16 Mortgages, notes, bonds payable in less than 1 year		92213		102683
17 Other current liabilities (attach schedule)		249075		166745
18 Loans from stockholders				
19 Mortgages, notes, bonds payable in 1 year or more		13,151		37,461
20 Other liabilities (attach schedule)				
21 Capital stock: a Preferred stock				
b Common stock	5407	5407	5407	5407
22 Paid-in or capital surplus		105,724		105,724
23 Retained earnings—Appropriated (attach schedule)				
24 Retained earnings—Unappropriated		2024967		1914790
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		3060933		3038121

Schedule M-1 Reconciliation of Income per Books With Income per Return
(You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Net income per books	<110,177>	7 Income recorded on books this year not included in this return (itemize):	
2 Federal income tax		a Tax-exempt interest $	
3 Excess of capital losses over capital gains		TAX BENEFIT FROM LOSS CARRYBACK	43461
4 Income subject to tax not recorded on books this year (itemize): SEC. 481 ADJUST. TO OTHER INCOME—STMT #2	23534	8 Deductions in this tax return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted in this return (itemize):		a Depreciation $	
a Depreciation $ 21176		b Contributions carryover $	
b Contributions carryover $ 182		FORM 4797 DIFF. 1287	
c Travel and entertainment $ 2860		BAD DEBT EXP. 10433	
4/89 CA INC TAX 300	24518	4/88 CA INC. TAX 300	12020
		9 Total of lines 7 and 8	55481
6 Total of lines 1 through 5	<62125>	10 Income (line 28, page 1)—line 6 less line 9	<117606>

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 24, Schedule L)
(You are not required to complete this schedule if the total assets on line 14, column (d), of Schedule L are less than $25,000.)

1 Balance at beginning of year	2024967	5 Distributions: a Cash	
2 Net income per books	<110177>	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Total of lines 5 and 6	
4 Total of lines 1, 2, and 3	1914790	8 Balance at end of year (line 4 less line 7)	1914790

BR000484

The Tax Form Library, 916 W. Main St., Louisville, Ky., 40202, (502) 589-7466

SCHEDULE D (Form 1120)
Department of the Treasury Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, and certain Forms 990-T

OMB No. 1545-0123

1988

Name: ANGELES CHEMICAL CO., INC.

Employer identification number: 95-2748321

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less (Six months or less if acquired before 1/1/88)

(a) Kind of property and description (Example, 100 shares of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis, plus expense of sale	(f) Gain (or loss) ((d) less (e))
1					

2 Short-term capital gain from installment sales from Form 6252, line 22 or 30	2	
3 Unused capital loss carryover (attach computation)	3	( )
4 Net short-term capital gain or (loss)	4	

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year (More than six months if acquired before 1/1/88)

(a) Kind of property and description	(b) Date acquired	(c) Date sold	(d) Gross sales price	(e) Cost or other basis, plus expense of sale	(f) Gain (or loss)
5 PILGRIM ADJUSTABLE RATE FUND — 10,320 SHARES	1985 & 1986	7/11/88	187485	233174	(45,689)

6 Enter gain from Form 4797, line 7 or 9	6	49,242
7 Long-term capital gain from installment sales from Form 6252, line 22 or 30	7	
8 Net long-term capital gain or (loss)	8	3553

Part III Summary of Parts I and II

9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	3553
11 Total of lines 9 and 10. Enter here and on Form 1120, line 8, page 1; or the proper line on other returns	11	3553

***Note:** If losses exceed gains, see instructions on capital losses for explanation of capital loss carrybacks.*

Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose of Form

This Schedule D should be used by a taxpayer whose tax year begins in 1988 and who files either Forms 1120, 1120-A, 1120-DF, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 990-C, or certain Forms 990-T, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), gain from the disposition of interest in oil, gas, or geothermal property, and the section 291 adjustment to section 1250 gains should be reported on **Form 4797,** Sales of Business Property. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use **Form 4684,** Casualties and Thefts.

Parts I and II

Generally, a corporation should report sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons (sections 1091 and 267).

In Part I, report the sale or exchange of capital assets held one year or less. In Part II, report the sale or exchange of capital assets held more than one year. For property acquired before January 1, 1988, the holding period is 6 months.

What Are Capital Assets?—Each item of property the corporation held (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights; literary, musical, or artistic compositions; letters or memorandums; or similar property.

Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
1988
Attachment Sequence No. 67

Name(s) as shown on return: ANGELES CHEMICAL CO, INC.
Identifying number: 95-2748321

Business or activity to which this form relates

Part I Depreciation *(Use Part III for automobiles, certain other vehicles, computers, and property used for entertainment, recreation, or amusement.)*

Section A.—Election To Expense Depreciable Assets (Section 179)

	(a) Description of property	(b) Date placed in service	(c) Cost	(d) Expense deduction
1				
2	Listed property—Enter total from Part III, Section A, column (h)			
3	Total (add lines 1 and 2, but do not enter more than $10,000)			
4	Enter the amount, if any, by which the cost of all section 179 property placed in service during this tax year is more than $200,000			
5	Subtract line 4 from line 3. If less than zero, enter zero. (See instructions for other limitations.)			

Section B.—Depreciation

(a) Class of property	(b) Date placed in service	(c) Basis for depreciation (Business use only—see instructions)	(d) Recovery period	(e) Method of figuring depreciation	(f) Deduction
6 Modified Accelerated Cost Recovery System (MACRS) (see instructions): For assets placed in service ONLY during tax year beginning in 1988					
a 3-year property					
b 5-year property		69,734	5 YRS.	DDB	13,004
c 7-year property		64,972	7 YRS.	DDB	9,283
d 10-year property					
e 15-year property					
f 20-year property					
g Residential rental property					
h Nonresidential real property					
7 Alternative Depreciation System (ADS)					
8 Listed property—Enter total from Part III, Section A, column (g)					
9 MACRS deduction for assets placed in service prior to 1988 (see instructions)					33,519

Section C.—ACRS and/or Other Depreciation

10	Property subject to section 168(f)(1) election (see instructions)	
11	ACRS and/or other depreciation (see instructions)	134,282

Section D.—Summary

12	Total (add deductions on lines 5 through 11). Enter here and on the Depreciation line of your return (Partnerships and S corporations—Do NOT include any amounts entered on line 5.)		190 088
13	For assets above placed in service during the current year, enter the portion of the basis attributable to section 263A costs. (see instructions)		

Part II Amortization

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
1 Amortization for property placed in service only during tax year beginning in 1988					
2 Amortization for property placed in service prior to 1988					
3 Total. Enter here and on Other Deductions or Other Expenses line of your return					

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Form **4562** (1988)

U.S. < BOOK/CA : 21,176

BR000486

Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also, Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F)

▶ Attach to your tax return. See separate instructions.

OMB No 1545-0184

1988

Attachment Sequence No 27

Name(s) as shown on return: ANGELES CHEMICAL CO. INC.

Identifying number: 95-2748321

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (More Than 6 Months If Acquired Before 1/1/88)

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1988 on Form(s) 1099-S (or an equivalent statement) that you will be including on lines 2 or 10 (column d), or on line 20. (Form 1099-S is a Statement for Recipients of Proceeds From Real Estate Transactions.) . . . 1

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
2							

3 Gain, if any, from Form 4684, Section B, line 21		
4 Section 1231 gain from installment sales from Form 6252, line 22 or 30		
5 Gain, if any, from Part III, line 32, from other than casualty and theft		49242
6 Add lines 2 through 5 in columns (g) and (h)	( )	49242
7 Combine columns (g) and (h) of line 6. Enter gain or (loss) here, and on the appropriate line as follows (partnerships see the instructions for line references):		49242

If line 7 is zero or a loss, enter the amount on line 11 below and skip lines 8 and 9. (S corporations enter the loss on Schedule K (Form 1120S), line 5.) If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see Instructions) . . .

9 Subtract line 8 from line 7. If zero or less, enter zero . . .

If line 9 is zero, enter the amount from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the amount from line 9 as a long-term capital gain on Schedule D. See Specific Instructions for line 9.

Part II Ordinary Gains and Losses

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed (or allowable) since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) LOSS ((f) minus the sum of (d) and (e))	(h) GAIN ((d) plus (e) minus (f))
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less) (6 months or less if acquired before 1/1/88):							
SCHEDULE ATTACHED			9300	18652	36545	11893	3300

	(g)	(h)
11 Loss, if any, from line 7		
12 Gain, if any, from line 7, or amount from line 8 if applicable		
13 Gain, if any, from line 31, Part III		
14 Net gain or (loss) from Form 4684, Section B, lines 13 and 20a		
15 Ordinary gain from installment sales from Form 6252, line(s) 21 and/or 29		
16 Recapture of section 179 deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see Instructions)		
17 Add lines 10 through 16 in columns (g) and (h)	(11893)	3300
18 Combine columns (g) and (h) of line 17. Enter gain or (loss) here, and on the appropriate line as follows:		(8593)

a For all except individual returns: Enter the gain or (loss) from line 18, on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, Section B, Part II, column (b)(ii), enter that part of the loss here and on line 21 of Schedule A (Form 1040). Identify as from "Form 4797, line 18b(1)" . . .

(2) Redetermine the gain or (loss) on line 18, excluding the loss (if any) on line 18b(1). Enter here and on Form 1040, line 15

For Paperwork Reduction Act Notice, see page 1 of separate Instructions.

BR000487

Part III **Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**
Skip section 1252 on line 27 and in the Instructions if you did not dispose of farmland or if you are a partnership.

19 Description of sections 1245, 1250, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
A STORAGE CONTAINERS	1987 & PRIOR	4/30/87
B		
C		
D		

Relate lines 19A through 19D to these columns ▶	Property A	Property B	Property C	Property D
20 Gross sales price	57930			
21 Cost or other basis plus expense of sale	8688			
22 Depreciation (or depletion) allowed (or allowable)	N.A			
23 Adjusted basis, subtract line 22 from line 21	8688			
24 Total gain, subtract line 23 from line 20	49,242			
25 If section 1245 property:				
a Depreciation allowed (or allowable) (see Instructions)				
b Enter the smaller of line 24 or 25a				
26 If section 1250 property: If straight line depreciation was used, enter zero on line 26g unless you are a corporation subject to section 291.				
a Additional depreciation after 12/31/75				
b Applicable percentage times the smaller of line 24 or line 26a (see Instructions)				
c Subtract line 26a from line 24. If line 24 is not more than line 26a, skip lines 26d and 26e				
d Additional depreciation after 12/31/69 and before 1/1/76				
e Applicable percentage times the smaller of line 26c or 26d (see Instructions)				
f Section 291 amount (for corporations only)				
g Add lines 26b, 26e, and 26f				
27 If section 1252 property:				
a Soil, water, and land clearing expenses				
b Line 27a times applicable percentage (see Instructions)				
c Enter the smaller of line 24 or 27b				
28 If section 1254 property:				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see Instructions)				
b Enter the smaller of line 24 or 28a				
29 If section 1255 property:				
a Applicable percentage of payments excluded from income under section 126 (see Instructions)				
b Enter the smaller of line 24 or 29a				

Summary of Part III Gains (Complete property columns A through D through line 29b before going to line 30.)

30 Total gains for all properties (add columns A through D, line 24)	49242
31 Add columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and in Part II, line 13. (see the Instructions for Part IV if this is an installment sale)	
32 Subtract line 31 from line 30. Enter the portion from casualty and theft on Form 4684, Section B, line 15. Enter the portion from other than casualty and theft on Form 4797, Part I, line 5	49242

Part IV **Complete This Part Only If You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value**

33 Check here if you elect out of the installment method ▶ ☐
34 Enter the face amount of the note or other obligation ▶
35 Enter the percentage of valuation of the note or other obligation ▶

Part V **Computation of Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less** (See Instructions for Part V.)

	(a) Section 179	(b) Section 280F
1 Section 179 expense deduction or section 280F recovery deductions		
2 Depreciation or recovery deductions (see Instructions)		
3 Recapture amount (subtract line 2 from line 1) (see Instructions for where to report)		

BR000488

ANGELES CHEMICAL CO., INC.
Form 4797 - Supporting Schedules
Period Ended 4/30/89 - ID #: 95-2748321

Part II, Line 2 - Ordinary Gains and Losses

a Description	b Date Acq.	c Date Sold	d Sales Price	e Deprec Allowed	f Cost or basis	g Loss (f-d-e)	h Gain (d+e-f)
TRUCK & TRAIL	4/01/75	3/01/89	3,300.	12,190.	12,190.		3,300.
(U) '64 2-AXL	10/01/86	9/01/88	1,000.	2,071.	5,598.	2,527.	
(U) '79 3-AXL	10/01/86	4/01/89	5,000.	3,447.	9,317.	870.	
REPAIRS #2	8/01/88	3/01/89		294.	2,942.	2,648.	
DISTRIB/TRANS	1/01/89	4/01/89		204.	2,037.	1,833.	
U JOINTS #41	1/01/89	4/01/89		446.	4,461.	4,015.	
Total			9,300.	18,652.	36,545.	11,893.	3,300.

NAME ANGELES CHEMICAL CO. INC. IDENTIFICATION NO. 95-2948321

STATEMENT NO. 1 YEAR ENDED 4/30/89

SUPPLEMENTARY SCHEDULE FOR CORPORATIONS

COST OF GOODS SOLD

INVENTORY AT BEGINNING OF YEAR	772,864
MERCHANDISE BOUGHT FOR MANUFACTURE OR SALE	6,891,497
SALARIES AND WAGES	269,972
OTHER COSTS (ATTACH SCHEDULE)	475,444
TOTAL	8,409,777
LESS INVENTORY AT END OF YEAR	719,237
COST OF GOODS SOLD	7,690,540

METHOD OF INVENTORY VALUATION

COMPENSATION OF OFFICERS

NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF OFFICER	TITLE	TIME DEVOTED TO BUSINESS	PERCENT OF CORPORATION STOCK OWNED		AMOUNT OF COMPENSATION	EXPENSE ACCOUNT ALLOWANCES
			COMMON	PREFERRED		
JOHN LOCKE						
353-14-6341	PRES.	ALL	37%		100,000	
ROBERT BERG						
549-38-9548	V.P.	AS REQ	37%		24,000	
TOTAL					124,000	

BAD DEBTS — RESERVE METHOD

YEAR	TRADE NOTES AND ACCTS. RECEIVABLE OUTSTANDING AT END OF YEAR	SALES ON ACCOUNT	AMOUNT ADDED TO RESERVE: CURRENT YEAR'S PROVISION	AMOUNT ADDED TO RESERVE: RECOVERIES	AMOUNT CHARGED AGAINST RESERVE	RESERVE FOR BAD DEBTS AT END OF YEAR
19						
19						
19						
19						
19						
19						

TAXES		CONTRIBUTIONS	
PAYROLL TAXES	49,772	MISC. ORGANIZED CHARITIES	182
FRANCHISE TAX	1,201	CARRYOVER FROM FY 88	529
PROPERTY TAXES	10,195		711
FUEL/HIGHWAY TAXES	1,461		
AIR QUALITY TAX	2,882	AMT. IN EXCESS OF	
CITY BUSINESS TAXES	876	10% LIMIT	(711)
COUNTY " "	650		
OTHER	5		
TOTAL	67,042	TOTAL	-0-

OTHER DEDUCTIONS

EXPLANATION	AMOUNT	EXPLANATION	AMOUNT
TRUCK EXPENSE	115,210	BUSINESS PROMOTION @ 80%	11,441
AUTO & TRAVEL	43,350	POSTAGE	5,117
FREIGHT OUT	115,995	COMMISSIONS	92,192
SELLING EXPENSES	16,461	DIRECTORS FEES	9,000
OUTSIDE LABOR	96,261	INSURANCE	201,279
OFFICE SUPPLIES	10,950	DUES & SUBSCRIPTIONS	4,895
COMPUTER EXPENSE	11,024	CONSULTANT EXPENSE	57,500
PROFESSIONAL SERVICES	34,736	MISC. EXPENSE	283
UTILITIES	18,438		
TELEPHONE	23,137		
UNIFORM EXPENSE	2,323		
		TOTAL	872,192

BR000490

NAME ANGELES CHEMICAL CO., INC. IDENTIFICATION NO. 95-2748321

STATEMENT NO. 2 YEAR ENDED 4/30/89

COSTS OF GOODS SOLD - OTHER COSTS	
PLANT EXPENSE	35 360
LAB EXPENSE	5 196
FREIGHT IN	72 478
DRUM MAINTENANCE	158 626
TANK TESTING	6 600
PRINTING PREP	22 834
EQUIPMENT RENTAL	1 788
DEPRECIATION	172 562
ALLOCATED G&A LABOR	135 718
ALLOCATED OTHER G&A COSTS	358 331
	969 493
LESS COSTS DEDUCTED ON LINES	
12 TO 26 OF FORM 1120	<494 049>
TOTAL OTHER COSTS	475 444
LINE 10 - OTHER INCOME	
SECTION 481 ADJUSTMENTS—	
ADDITION TO 5/1/87 INVENTORY	72 240
ELIMINATION OF 5/1/87 BAD DEBT RESERVE	21 897
	94 137
	÷ 4
1/4 INCLUDIBLE IN CURRENT YEAR	23 534 → SCH. M1 - LINE 4
DISCOUNTS EARNED	4 442
DEMURRAGE	3 439
TERMINALING CHARGES	31 314
SALARY REIMBURSEMENT	1 037
TOTAL OTHER INCOME	63 766

NAME ANGELES CHEMICAL CO. INC IDENTIFICATION NO. 95-2748321

STATEMENT NO. 3 YEAR ENDED 4/30/89

SCHEDULE L LINE 5 OTHER CURRENT ASSETS	
INCOME TAX REFUND DUE	48261
ACCTS. RECEIVABLE - STALLION	44436
OTHER NON-TRADE RECEIVABLES	44143
PREPAID INSURANCE	109728
PREPAID PACKAGING	49185
OTHER PREPAID EXPENSES	28170
TOTAL	323923
SCHEDULE L LINE 13 OTHER ASSETS	
DEPOSITS ON DRUMS	10179
OTHER DEPOSITS	5813
DRUMS OWNED	38535
TOTAL	54527
SCHEDULE L, LINE 17 OTHER CURRENT LIABILITIES	
ACCRUED COMMISSIONS	21135
ACCRUED PAYROLL	12479
OTHER ACCRUALS	13781
CUSTOMER DEPOSITS	119350
TOTAL	166745

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

August 16, 1989

Mr. James Froelich
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear Jim:

I am concluding my investigation of Anchem's environmental issues and am ready to render my ESOP valuation conclusion as of April 30, 1989. In this connection, I would like to have the statement of cash flows for fiscal 1989 that your accountant is preparing.

Thanks.

Sincerely,

Eric M. Bramstedt

EMB:ew

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Angeles Chemical
E.S.O.P. Valuation Summary

Date	Agg. ESOP Value	Per cent of Sales	Per cent of Assets	Per cent of Equity	Times Pre-tax Profit	Aftax	PTE
4/30/88						Neg.	Neg.
4/30/87	3,123,664	20.2%	65.0%	100%	0.78 X	22.6X	26.9X
4/30/86	3,600,000	21.4%	79.2%	127%	1.17	31.3	12.1
4/30/85	3,500,000	18.5%	78.0%	140%	1.12	10.9	6.0
1/1/84*	3,250,000	15.0%	71.8%	134%	1.14	17.2	6.3
4/30/80	1,660,000	13.3%	59.6%	170%	0.93	3.6	3.6

* Using FY 4/30/83 financials.

Anchem

1. Why sales down 16.3%
Standard Brands account

2. By increase in depreciation charge

3. Gain + loss on asset sale
Misc income of $73,418 - what

4. No ESOP contribution - what about redemption
ESOT B/S?

What is LAS
Why outside labor up
What steps to reduce costs
Officer (Locke) salaries + bonuses

5. Locke + Berg Comp.

6. Environmental issues

7. '89 Forecast

8. Purchase of assets

Angeles Chemical
FMV
4/20/88

1) Book Value $2,136,098 or $39.51/sh.
B.V. cannot be support on order of liquidation

2) Earning Capacity

Net Income F88 $14,000
F86-88 Ave 73,000

Pre Tax F88 $(29,000)
F86-88 80,333

3) Available Cash Flow
(PTE + Dep. + PSP/ESOP)
F88 $171,179

F86 - F87 - F88
411,661 302,000 171,179 F86-88 Ave 294,947

4) After Tax Cash Flow
(Net + Depr.) F88 $208,000

F86 F87 F88
245,000 224,000 208,000 F86-88 Ave $225,667

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

October 14, 1988

PERSONAL AND CONFIDENTIAL

Mr. James Froelich
Angeles Chemical Co. Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear Jim:

Enclosed is the Anchem ESOP update valuation study as of April 30, 1988 and one photocopy. Also enclosed is our invoice. The $2,250 update fee was agreed upon by John Locke in a recent telephone conversation.

Thank you for your help and cooperation in the preparation of this report.

Sincerely yours,

Eric Bramstedt

Eric M. Bramstedt

EMB:ew
enclosures

REPORT OF

ANGELES CHEMICAL CO., INC.

APRIL 30, 1988

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ARCHER BULMAHN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

ARCHER, BULMAHN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE · PASADENA, CALIFORNIA 91106

To the Board of Directors
Angeles Chemical Co., Inc.

We have compiled the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1988 and the related statements of income and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position and results of operation, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Archer, Bulmahn & Co.
CERTIFIED PUBLIC ACCOUNTANTS

July 14, 1988

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1988

ASSETS

CURRENT ASSETS			
PETTY CASH		$ 400.00	
CASH IN BANK		(4,596.95)	
CASH IN BANK - BORTZ		9,176.47	
CASH IN MONEY MARKET		5,353.75	
P.A.R. FUND		233,174.28	
ACCOUNTS RECEIVABLE	$ 1,211,445.84		
ALLOW. FOR DOUBTFUL ACCTS.	(21,940.85)		
NET RECEIVABLES		1,189,504.99	
ACCTS. REC. - STALLION		23,614.51	
ACCTS. REC. - OTHER		8,968.34	
EMPLOYEE ADVANCES		2,318.51	
INVENTORY - CHEMICALS		389,781.24	
INVENTORY - PACKAGING		88,550.31	
INVENTORY - PKG.-BORTZ		287,505.31	
INVENTORY - GASOLINE		7,027.04	
PREPAID INCOME TAX		55,888.00	
PREPAID INTEREST		2,754.82	
PREPAID PROPERTY TAXES		2,027.63	
PREPAID TANK TESTING		(1,753.40)	
PREPAID INSURANCE		83,023.80	
PREPAID AUTO LEASE		775.00	
PREPAID CONSULTANTS FEES		10,633.32	
PREPAID PACKAGING		25,570.28	
PREPAID EXCISE TAX - FUEL		1,002.76	
TOTAL CURRENT ASSETS			$ 2,420,700.01
FIXED ASSETS - AT COST			
OFFICE TRAILER	97,811.43		
TRUCKS & AUTOS	187,733.15		
TANKS & PLANT EQUIPMENT	737,213.55		
FURNITURE & FIXTURES	200,635.00		
CONSTRUCTION IN PROCESS	15,685.78		
PLANT	326,158.88		
DRUMS	158,595.50		
TOTAL FIXED ASSETS		1,723,833.29	
LESS: ACCUMULATED DEPRECIATION		(1,101,072.96)	
NET FIXED ASSETS			622,760.33
OTHER ASSETS			
DEPOSITS		4,823.00	
DEPOSITS - PALLETS		489.50	
DEPOSITS - DRUMS		12,160.75	
TOTAL OTHER ASSETS			17,473.25
TOTAL ASSETS			$ 3,060,933.59

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SEE ACCOUNTANTS COMPILATION REPORT

BR000500

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1988

LIABILITIES AND CAPITAL

CURRENT LIABILITIES			
ACCOUNTS PAYABLE		$ 570,396.27	
ACCRUED PAYROLL		21,883.05	
ACCRUED COMMISSIONS		25,977.53	
ACCRUED WORKMANS COMP. INSURANCE		15,523.98	
PAYROLL TAXES PAYABLE		41,885.79	
SALES TAX PAYABLE		.00	
INCOME TAXES PAYABLE		.00	
DRUM DEPOSITS		142,103.00	
EMPLOYEE BENEFIT & WELFARE		1,701.53	
NOTE PAYABLE - BORTZ OIL		82,648.02	
NOTES PAYABLE		9,564.72	
ACCRUED PROFIT SHARING		.00	

TOTAL CURRENT LIABILITIES			$ 911,683.89
LONG TERM LIABILITIES			
NOTE PAYABLE		13,151.49	

TOTAL LONG TERM LIABILITIES			13,151.49
CAPITAL			
CAPITAL STOCK - $.10 PAR VALUE, 1,000,000 SHS. AUTHORIZED, 54,065 SHS. ISSUED & OUTSTANDING		5,406.50	
PAID IN CAPITAL		105,723.80	
RETAINED EARNINGS - BEGINNING	$ 2,010,973.84		
STOCK REDEEMED	.00		
NET INCOME OR (LOSS)	13,994.07		

RETAINED EARNINGS		2,024,967.91	

TOTAL CAPITAL			2,136,098.21

TOTAL LIABILITIES & CAPITAL			$ 3,060,933.59
			==========

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1988

	CURRENT PERIOD	%	YEAR TO DATE	%
SALES	$ 2,463,166.10	100.0	$ 9,442,310.77	100.0
COST OF SALES	1,867,534.98	75.8	7,039,884.66	74.6
GROSS PROFIT	595,631.12	24.2	2,402,426.11	25.4
OPERATING EXPENSES				
ADMINISTRATIVE SALARIES	93,000.00	3.8	174,075.00	1.8
DIRECT WAGES	56,310.09	2.3	277,885.82	2.9
INDIRECT WAGES	13,339.37	.5	106,061.98	1.1
SALES WAGES	24,658.37	1.0	115,193.28	1.2
OFFICE WAGES	34,638.86	1.4	119,772.83	1.3
PLANT EXPENSE	10,994.03	.4	46,426.32	.5
LAB EXPENSE	932.15	.0	4,931.14	.1
TRUCK EXPENSE	24,842.03	1.0	103,589.83	1.1
AUTO & TRAVEL	10,519.35	.4	51,738.05	.5
FREIGHT-IN	9,448.15	.4	82,532.40	.9
FREIGHT OUT	37,203.70	1.5	180,898.39	1.9
DRUM MAINTENANCE	3,702.00	.2	89,483.55	.9
TANK TESTING EXPENSE	1,650.00	.1	6,600.00	.1
REPAIRS & MAINTENANCE	9,130.66	.4	28,950.00	.3
PRINTING PREP. EXPENSE	4,397.01	.2	15,939.54	.2
OUTSIDE LABOR	27,388.51	1.1	105,435.47	1.1
EQUIPMENT RENTAL	945.29	.0	10,526.56	.1
RENT	22,000.00	.9	121,000.00	1.3
OFFICE SUPPLIES	4,199.49	.2	11,086.23	.1
COMPUTER EXPENSE	3,823.43	.2	12,393.17	.1
PROFESSIONAL SERVICES	8,684.84	.4	40,862.10	.4
TAXES & LICENSES	3,967.16	.2	15,950.10	.2
PAYROLL TAXES	19,513.75	.8	60,875.91	.6
BUSINESS PROMOTION	10,751.72	.4	35,576.42	.4
ADVERTISING	2,664.36	.1	18,346.79	.2
COMMISSIONS	74,974.48	3.0	75,146.01	.8
POSTAGE	1,372.23	.1	3,870.49	.0
COMMISSIONS-BORTZ	27,521.50	1.1	125,073.41	1.3
DIRECTORS FEES	2,250.00	.1	9,000.00	.1
DONATIONS	.00	.0	529.44	.0
CASUALTY INSURANCE	25,577.38	1.0	89,354.38	.9
WORKMENS COMP. INSURANCE	2,836.25	.1	25,514.21	.3
GROUP INSURANCE	20,256.24	.8	73,853.82	.8
DUES & SUBSCRIPTIONS	1,042.31	.0	3,784.38	.0

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1988

	CURRENT PERIOD	%	YEAR TO DATE	%
OPERATING EXPENSES-(CONT'D)				
UTILITIES	$ 4,331.44	.2	$ 17,792.63	.2
TELEPHONE	7,767.84	.3	30,001.77	.3
DEPRECIATION	57,710.05	2.3	193,776.60	2.1
EMPLOYEE WELFARE	2,030.64	.1	7,959.78	.1
UNIFORM EXPENSE	1,053.71	.0	5,398.29	.1
BAD DEBTS	2,281.20	.1	(6,226.38)	(.1)
PROFIT SHARING EXPENSE	6,495.19	.3	6,495.19	.1
TOTAL OPERATING EXPENSES	676,224.78	27.5	2,497,454.90	26.4
OPERATING INCOME OR (LOSS)	(80,593.66)	(3.3)	(95,028.79)	(1.0)
OTHER INCOME				
DISCOUNTS EARNED	1,283.78	.1	6,937.20	.1
DEMURRAGE	712.50	.0	5,387.16	.1
SALE OF ASSETS	65,780.31	2.7	64,850.75	.7
INTEREST INCOME	1,232.99	.1	5,266.49	.1
DIVIDEND INCOME	9,043.40	.4	33,258.32	.4
MISCELLANEOUS INCOME	3,589.43	.1	73,418.93	.8
	81,642.41	3.3	189,118.85	2.0
OTHER EXPENSE				
INTEREST EXPENSE	3,697.03	.2	18,724.59	.2
CONSULTANT EXPENSE	14,375.01	.6	57,500.00	.6
LOSS ON SALE OF ASSETS	46,959.40	1.9	46,959.40	.5
	65,031.44	2.6	123,183.99	1.3
NET INCOME OR (LOSS) BEFORE TAXES	(63,982.69)	(2.6)	(29,093.93)	(.3)
PROVISION FOR TAXES	51,647.00	2.1	43,088.00	.5
NET INCOME OR (LOSS)	$(12,335.69)	(.5)	$ 13,994.07	.1

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
UNAUDITED
YEAR ENDED APRIL 30, 1988

	CURRENT PERIOD	YEAR TO DATE
SOURCE OF FUNDS		
NET INCOME	$(12,335.69)	$ 13,994.07
ITEMS NOT REQUIRING WORKING CAPITAL:		
DEPRECIATION	90,579.13	418,642.68
OTHER SOURCES		
DRUM DEPOSITS	.00	100.00
SALE OF ASSETS	4,650.61	1,466.22
INCREASE IN LONG-TERM DEBT	.00	(1,594.12)
TOTAL SOURCE OF FUNDS	82,894.05	432,608.85
APPLICATION OF FUNDS		
DECREASE IN LONG-TERM DEBT	1,992.65	61,142.62
PURCHASE OF ASSETS	34,289.80	310,222.14
INCREASE IN DEPOSITS	9,580.00	9,629.50
TOTAL APPLICATION OF FUNDS	45,862.45	380,994.26
INCREASE OR (DECREASE) IN WORKING CAPITAL	$ 37,031.60	$ 51,614.59
CHANGES IN WORKING CAPITAL- INCREASE OR (DECREASE)		
CASH	$(283,048.86)	$ 40,359.77
ACCOUNTS RECEIVABLE	239,375.29	(99,297.55)
EMPLOYEE ADVANCES	1,343.51	2,032.01
INVENTORIES	108,403.58	(21,445.47)
PREPAID EXPENSES	2,651.15	(26,727.13)
ACCOUNTS PAYABLE	(117,796.56)	38,578.74
ACCRUED PAYROLL	(17,304.61)	12,284.15
ACCRUED EXPENSES	(5,836.28)	(15,523.98)
PAYROLL & SALES TAX PAYABLE	(36,916.92)	(34,746.50)
INCOME TAXES PAYABLE	8,559.00	.00
DRUM DEPOSITS	95,922.00	45,867.00
CUSTOMER DEPOSITS	.00	10,118.00
EMPLOYEE BENEFIT & WELFARE	(98.11)	(960.15)
LOANS PAYABLE	48,126.77	110,640.42
NOTES PAYABLE	.00	(9,564.72)
ACCRUED PROFIT SHARING	(6,348.36)	.00
INCREASE OR (DECREASE) IN WORKING CAPITAL	$ 37,031.60	$ 51,614.59

SEE ACCOUNTANTS COMPILATION REPORT

EMB Update

PERSONAL AND CONFIDENTIAL

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____
____

Dear Mr. __________:

Enclosed are ______ copies of the _____________ ESOP valuation study for ___________, 198_ and our invoice for $_____.

Many thanks again for your considerable assistance.

Sincerely yours,

Eric M. Bramstedt

EMB:ew
enclosures

(213) 945-3911
(714) 521-7660

ANCHEM

JOHN G. LOCKE
President

ANGELES CHEMICAL CO., INC.
6915 SORENSEN AVE.—SANTA FE SPRINGS, CA 90670

ANCHEM
SOLVENTS
CHEMICALS

R. H. "Ron" Bell

ANGELES CHEMICAL CO., INC.
6915 SORENSEN AVE. - SANTA FE SPRINGS, CA 90670
(213) 945-3911
(213) 685-4366 (LA) (714) 521-7660

Univar Corp.

NYSE Symbol UVX

Price	Range	P-E Ratio	Dividend	Yield	S&P Ranking	Beta
Jul. 27'88 18⅝	1988 20⅝-16½	13	0.40	2.2%	B	1.09

Summary

Univar distributes a broad range of industrial chemicals and related products. Operations were expanded significantly with the November, 1986 acquisition of McKesson Chemical Co., and UVX is now the largest industrial chemical distributor in North America. Pakhoed Holding, N.V. owns about 35% of the common stock.

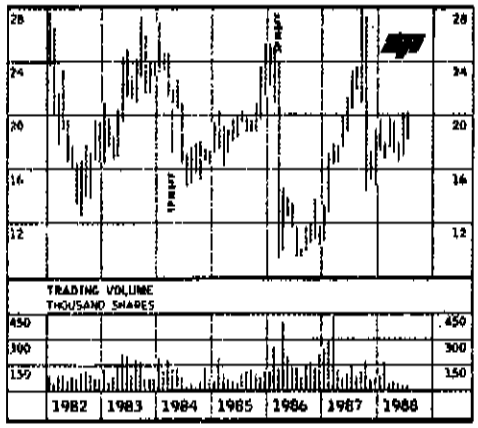
Business Summary

Univar is engaged in the wholesale distribution of a broad range of industrial chemicals and related products. The November, 1986 acquisition of McKesson Chemical Co., a distributor of industrial chemicals with annual sales of some $600 million, made UVX the largest industrial chemical distributor in North America.

Foreign sales (all in Canada) accounted for 13% of total sales in fiscal 1987-8.

Products distributed by the company are used in many areas, including public health & safety (water treatment, sewage treatment, and ice, dust, and rodent control); the petroleum industry (oil and gas drilling, petroleum refining, natural gas processing, and petrochemical production); paints and coatings (paint ingredients, solvents, and oils); pest control (insecticides, rodenticides, fumigants, herbicides, and fungicides); the food industry (food production, processing and packing); metal extraction, processing, and finishing (mining, milling, refining, plating & finishing, and electronics); textile maintenance (laundry and dry cleaning products); and wood pulp and paper (forestry, pulp and paper manufacturing, and water treatment).

Concurrent with the McKesson acquisition, assets of Univar's Van Waters & Rogers division in the U.S. were combined with the McKesson operations and those operations are now carried on through a subsidiary, Van Waters & Rogers, Inc. Activities in Canada are carried on through the Van Waters & Rogers, Ltd. subsidiary. Non-chemical operations, which were spun off to shareholders in March, 1986 under the name VWR Corp., consisted of VWR Scientific, VW&R Home Furnishings, and Acacia.



Important Developments

Jun. '88—The company reported that both of its U.S. and Canadian operations continued at strong levels. Separately, management noted that UVX recently purchased a 36-acre tract of land in Southern California, on which it expects to develop warehouse and tank farm facilities. The new plant, which would be developed over the next two to three years, would replace the suburban Los Angeles facilities.

Apr. '88—UVX reported that since the acquisition of McKesson Chemical Co., it had completed a major organizational restructuring, consolidated physical facilities in 26 cities across the U.S., and introduced a new program of chemical waste management services.

Next earnings report expected late September.

Per Share Data ($)

Yr. End Feb. 28	[2]1988	[2]1987	1986	1985	1984	1983	1982	1981	1980	1979
Book Value	11.08	9.80	8.03	17.09	18.41	17.58	17.34	15.25	13.26	11.48
Earnings[1]	1.27	0.11	0.76	2.85	1.33	0.92	3.21	2.65	2.35	1.40
Dividends	0.20	0.20	0.80	0.68	0.68	0.68	0.68	0.66	0.56	0.56
Payout Ratio	16%	182%	105%	24%	51%	74%	20%	25%	24%	39%
Calendar Years	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Prices—High	28	25½	25½	27	27½	27¾	35	15	12⅝	9¾
Low	10¾	9⅝	16¼	14¾	16½	12⅛	12⅜	9¼	6¾	6⅞
P/E Ratio—	22-8	NM	34-21	9-5	21-12	30-14	11-4	6-3	5-3	7-5

Data as orig. reptd. 1. Bef. results of disc. opers. of +1.14 in 1986, +0.33 in 1984. 2. Reflects merger or acquisition. NM-Not Meaningful.

August 4, 1988

Standard & Poor's Corp.
25 Broadway, NY, NY 10004

Income Data (Million $)

Year Ended Feb. 28	Revs.	Oper. Inc.	% Oper. Inc. of Revs.	Cap. Exp.	Depr.	Int. Exp.	[4]Net Bef. Taxes	Eff. Tax Rate	[3]Net Inc.	% Net Inc. of Revs.
[2]1988	1,117	42.9	3.8%	18.9	13.7	10.3	21.4	47.9%	11.2	1.0%
[2]1987	693	14.8	2.1%	86.8	8.2	6.3	1.5	52.4%	0.7	0.1%
[1]1986	538	16.2	3.0%	10.4	4.8	6.1	6.6	35.3%	4.3	0.8%
1985	952	25.7	2.7%	18.2	6.0	9.8	25.5	38.0%	15.8	1.7%
[1]1984	881	24.8	2.8%	12.5	5.2	8.4	12.3	40.0%	[5] 7.4	0.8%
1983	930	34.2	3.7%	23.7	11.9	20.1	5.0	NM	5.1	0.6%
1982	964	46.4	4.9%	49.1	9.6	21.9	24.4	24.1%	18.5	1.9%
1981	970	50.3	5.2%	52.0	9.3	[5]17.1	30.7	44.4%	17.1	1.8%
1980	848	46.7	5.5%	9.7	8.2	12.8	28.0	45.4%	15.3	1.8%
1979	713	33.5	4.7%	8.4	7.8	10.2	16.6	43.7%	9.4	1.3%

Balance Sheet Data (Million $)

Feb. 28	Cash	Current Assets	Current Liab.	Current Ratio	Total Assets	Ret. on Assets	Long Term Debt	Common Equity	Total Cap.	% LT Debt of Cap.	Ret. on Equity
1988	6.64	235	167	1.4	395	3.0%	115	96	211	54.7%	12.3%
1987	Nil	194	143	1.4	347	0.2%	103	85	190	54.2%	0.9%
1986	0.14	107	77	1.4	187	1.7%	59	45	108	54.8%	6.1%
1985	4.51	212	140	1.5	303	5.3%	61	96	161	38.1%	15.9%
1984	2.29	188	125	1.5	287	2.2%	53	102	159	33.6%	7.4%
1983	5.13	223	148	1.5	382	1.4%	117	98	230	50.9%	5.3%
1982	4.32	225	146	1.5	373	6.4%	117	96	222	52.6%	20.4%
1981	7.05	245	161	1.5	365	5.1%	97	98	198	48.9%	18.6%
1980	7.24	221	127	1.7	308	5.4%	87	86	175	49.6%	19.1%
1979	1.63	173	89	1.9	260	3.7%	86	75	162	52.7%	13.0%

Data as orig. reptd. 1. Excl. disc. opers. 2. Reflects merger or acquisition. 3. Bef. results of discontinued operations in 1986, 1984. 4. Incl. equity in earns. of nonconsol. subs. 5. Reflects accounting change. NM-Not Meaningful. d-Deficit.

Net Sales (Million $)

Quarter:	1988-9	1987-8	1986-7	1985-6
May	324	275	134	136
Aug.		285	135	138
Nov.		284	174	137
Feb.		273	252	127
		1,117	693	538

Sales for the three months ended May 31, 1988 advanced 18%, year to year. Margins widened on the higher volume, and pretax earnings increased 43%. After taxes at 44.2%, versus 45.7%, net income rose 47%, to $0.46 a share from $0.32.

Common Share Earnings ($)

Quarter:	1988-9	1987-8	1986-7	1985-6
May	0.46	0.32	0.07	0.07
Aug.		0.41	0.06	0.22
Nov.		0.26	0.16	0.25
Feb.		0.29	d0.12	0.22
		1.27	0.11	0.76

Dividend Data

Dividends have been paid since 1935.

Amt. of Divd. $	Date Decl.	Ex-divd. Date	Stock of Record	Payment Date
0.05	Oct. 9	Nov. 6	Nov. 13	Dec. 7'87
0.05	Dec. 10	Feb. 8	Feb. 15	Mar. 7'88
0.10	Apr. 29	May 10	May 16	Jun. 6'88
0.10	Jun. 24	Aug. 8	Aug. 12	Sep. 6'88

Next dividend meeting: early Oct. '88.

Finances

Through two revolving credit facilities, UVX and its subsidiary may borrow up to $110 million at the prime rate.

Capitalization

Long Term Debt: $115,350,000.

Common Stock: 8,685,542 shs. ($0.33⅓ par). Pakhoed Holding, N.V. owns about 35%. Institutions hold approximately 18%. Shareholders of record: 6,100.

Office—1600 Norton Building, Seattle, Wash. 98104. Tel—(206) 447-5911. Chrmn—J. H. Wiborg. Pres & CEO—J. W. Bernard. Secy—B. C. Moulding. Treas—G. Pruitt. Dirs—J. W. Bernard, H. P. H. Crins, R. E. Engebrecht, M. M. Harris, M. W. Hooper, C. P. Lindley, R. S. Rogers, A. V. Smith, W. K. Street, G. Verhagen, N. Vorm, J. H. Wiborg, L. Wyatt. Transfer Agent and Registrar—The First Jersey National Bank, Jersey City, NJ. Incorporated in Delaware in 1966.

 Kenneth A. Shea

ANCHEM

July 29, 1988

Mr. Eric M. Bramstedt
Menke & Associates, Inc.
111 Second Street
San Francisco, California 94105

Dear Mr. Bramstedt:

Please find enclosed a copy of the financial statements for Angeles Chemical Co., Inc. for the year ended April 30, 1988, which you will need in compiling the stock evaluation letter for the Angeles Chemical Co., Inc. ESOP.

If you have any questions or need additional data, please do not hesitate to call me. Additionally, please advise me of the approximate date you expect to complete this letter.

Sincerely,

ANGELES CHEMICAL CO., INC.

James L. Froelich

James L. Froelich
Controller

(1)

Archepa Froelich / Rh
7/20/88

1. Drop in sales: SBP did not "materialize" own
F87 reflected $80000 to
Boyle (Wizard) Stopped in Sep '86
SBP - some business - which
others won't handle (labor intensive)
Good margin business elsewhere.
Lacks promotion/marketing or cash discount.
? mil A/c Home Club stopped buying Feb - April 88.
(Booty customer) - Packaging down.
Can shortage for SBP in Nov 87 - hurt
Springfield charcoal lighter

2 Expenses Inefficient packaging operation
Lower direct + indirect labor costs
Material costs
Margins squeezed because higher
paint can prices not passed
thru promptly.
34 employees full time v. 43
Some of cut given back in pay raises
3. Virtually no temporaries
Outside labor in Booty packaging

2

{80,000 sal.
70,000 bonus}

2.) Locke F88 = $155,000 plus $25,000 deferred

Berg F88 - 24,000 in sal
75,000 in bonus

3.) Anchor buy land from LRB
1.8 acres for $758,000 ???
Rent reduced by $72,000
Get Rosenthal "out-of-picture"
Land contamination liability to partners
ESOP buy land

4.) Total sales $9.6 mil for 4/30/89
Industrial sales up. Pre ESOP/Bonus/Taxes $180,000
No ESOP contribution after bonus sales/P.A.R. fund $45,000

5.) Fred Howard sales manager left 5/03/88
Amounts to two sales people.
Candi Hutton transferred to sales/service
Sales P/R $10,000 down to $5,100 per mo.
Ron Pell left Oct 87.

6.) Oct 88 v 87 payroll costs $13,000 mo down.
Production 57%, off- 16%, sales -14% - Admin 14%

(3)

Ploot

7) Santa Fe Springs - 1.8 acres - own LRB.
Triple net

L.A. - Whse - Rent 29,000 sq ft
Accrual for Berg included

8 P.M.R. - Pilgrim adj rate fund (preferred)
True M.V. $190,660 sold in July 88
vs. cost of $233,174
Loss of $43,000 in F89

Loss on sale - $47,600. in F88

9) Cash - $300,000 as of 9/88.

10) $65,000 on sale of assets - sale of drums
drum deposit reduced of $187,450 - $142,600

11) Misc Income $73,600 - 1) Pass terminal charges
2) Reconcile A/Payables
from F85.
3) other clean-ups
in books.

12) Reclassify drums from inventory to fixed assets
$125,000 included in accumulated depreciation

BR000512

13) Need strong management.
Aggressive sales.

Losing a lot of people.

14) ESOP pay-out amended

15) $310,000 purchase of assets - mostly drums

16) Legal action - and lead claim
damage? Insured.
No contingencies for legal

No environmental actions.

213-494-9830

Amerifoam

Analysis of Fixed Assets
(000)

4/30	1988	1987	1986
Office Trailer	*98	98	*98
Trucks & Autos	188	291	243
Tanks and Plant Equip	737 (1	655 (Bortz)	249
Furn & Fixtures	201	191	152
Construction in Process	16	40	40
Plant	326	324	307
Drums	158	–	–
Total	1,724	1,601	1,090
Accum Dep	(1,101)	(868)	(719)
Net	633	733	371

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1988

	CURRENT PERIOD	%	YEAR TO DATE	%
SALES	$ 2,463,166.10	100.0	$ 9,442,310.77	100.0
COST OF SALES	1,867,534.98	75.8	7,039,884.66	74.6
GROSS PROFIT	595,631.12	24.2	2,402,426.11	25.4
OPERATING EXPENSES				
ADMINISTRATIVE SALARIES	93,000.00	3.8	174,075.00	1.8
DIRECT WAGES	56,310.09	2.3	277,885.82	2.9
INDIRECT WAGES	13,339.37	.5	106,061.98	1.1
SALES WAGES	24,658.37	1.0	115,193.28	1.2
OFFICE WAGES	34,638.86	1.4	119,772.83	1.3
PLANT EXPENSE	10,994.03	.4	46,426.32	.5
LAB EXPENSE	932.15	.0	4,931.14	.1
TRUCK EXPENSE	24,842.03	1.0	103,589.83	1.1
AUTO & TRAVEL	10,519.35	.4	51,738.05	.5
FREIGHT-IN	9,448.15	.4	82,532.40	.9
FREIGHT OUT	37,203.70	1.5	180,898.39	1.9
DRUM MAINTENANCE	3,702.00	.2	89,483.55	.9
TANK TESTING EXPENSE	1,650.00	.1	6,600.00	.1
REPAIRS & MAINTENANCE	9,130.66	.4	28,950.00	.3
PRINTING PREP. EXPENSE	4,397.01	.2	15,939.54	.2
OUTSIDE LABOR	27,388.51	1.1	105,435.47	1.1
EQUIPMENT RENTAL	945.29	.0	10,526.56	.1
RENT	22,000.00	.9	121,000.00	1.3
OFFICE SUPPLIES	4,199.49	.2	11,086.23	.1
COMPUTER EXPENSE	3,823.43	.2	12,393.17	.1
PROFESSIONAL SERVICES	8,684.84	.4	40,862.10	.4
TAXES & LICENSES	3,967.16	.2	15,950.10	.2
PAYROLL TAXES	19,513.75	.8	60,875.91	.6
BUSINESS PROMOTION	10,751.72	.4	35,576.42	.4
ADVERTISING	2,664.36	.1	18,346.79	.2
COMMISSIONS	74,974.48	3.0	75,146.01	.8
POSTAGE	1,372.23	.1	3,870.49	.0
COMMISSIONS-BORTZ	27,521.50	1.1	125,073.41	1.3
DIRECTORS FEES	2,250.00	.1	9,000.00	.1
DONATIONS	.00	.0	529.44	.0
CASUALTY INSURANCE	25,577.38	1.0	89,354.38	.9
WORKMENS COMP. INSURANCE	2,836.25	.1	25,514.21	.3
GROUP INSURANCE	20,256.24	.8	73,853.82	.8
DUES & SUBSCRIPTIONS	1,042.31	.0	3,784.38	.0

9793

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1988

	CURRENT PERIOD	%	YEAR TO DATE	%
OPERATING EXPENSES-(CONT'D)				
UTILITIES	$ 4,331.44	.2	$ 17,792.63	.2
TELEPHONE	7,767.84	.3	30,001.77	.3
DEPRECIATION	57,710.05	2.3	193,776.60	2.1
EMPLOYEE WELFARE	2,050.64	.1	7,959.78	.1
UNIFORM EXPENSE	1,053.71	.0	5,398.29	.1
BAD DEBTS	2,281.20	.1	(6,226.38)	(.1)
PROFIT SHARING EXPENSE	6,495.19	.3	6,495.19	.1
TOTAL OPERATING EXPENSES	676,224.78	27.5	2,497,454.90	26.4
OPERATING INCOME OR (LOSS)	(80,593.66)	(3.3)	(95,028.79)	(1.0)
OTHER INCOME				
DISCOUNTS EARNED	1,283.78	.1	6,937.20	.1
DEMURRAGE	712.50	.0	5,387.16	.1
SALE OF ASSETS	65,780.31	2.7	64,850.75	.7
INTEREST INCOME	1,232.99	.1	5,266.49	.1
DIVIDEND INCOME	9,043.40	.4	33,258.32	.4
MISCELLANEOUS INCOME	3,589.43	.1	73,418.93	.8
	81,642.41	3.3	189,118.85	2.0
OTHER EXPENSE				
INTEREST EXPENSE	3,697.03	.2	18,724.59	.2
CONSULTANT EXPENSE	14,375.01	.6	57,500.00	.6
LOSS ON SALE OF ASSETS	46,959.40	1.9	46,959.40	.5
	65,031.44	2.6	123,183.99	1.3
NET INCOME OR (LOSS) BEFORE TAXES	(63,982.69)	(2.6)	(29,093.93)	(.3)
PROVISION FOR TAXES	51,647.00	2.1	43,088.00	.5
NET INCOME OR (LOSS)	$(12,335.69)	(.5)	$ 13,994.07	.1

SEE ACCOUNTANTS COMPILATION REPORT

Amchem 9/26 Locke

1. Locke largest accounts

2. Pursued low margin business

3. Projecting Op. Expenses $2,158,000
Op. Income — 0/B
Depr. (Cash Flow) $195,000 — no claim after 10/1/88

4 Rosenthal guilty July, 1989
7. Booty practically Sep 1988
$400,000 for two years
Cash position

5. Several price increases – next Oct, 1988

6. DOT, Dept of Health, Air Pollution

7. Small packaging exp – Solvents down
Tolu/sell outs – Booty – decorating of cans, containers

8. Terminaling "Warehouse + terminaling" future

9. Property from partnership $700,000 – 800,000 ± FMV
' Industrial exchange

10 $400,000 in real fix . 11 Fixed assets FMV = 300,000

OVER

Bonnie Rosenthal

BR000517

B/S Walk Thru
Anchem
4/30/88

Cash - 100% exempt for P.A.R.

A/R - 60 days - 90%

Fixed Assets - orderly liquidation $300,000 plus

11. Update fee to $2,500

2

Archem
4/30/88

Valuation Issues

1.) General environmental issues

2.) Sales down 6th consecutive year. F1988 sales @ $9.4 mil 56%.
Losing mkt share, major customers
" people + management

3.) Company forecasting stabilization - Forecast not credible

4.) Gross margins + profits holding up
Have not sufficiently sized down operating expenses

5.) B/E operation after officer bonus and small $50 in F88; same forecast for 1989.

6.) Still generating positive cash flow

7.) No LTD; B/S ratios satisfactory
Liquidity up for F87 but down from prior years

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

October 14, 1988

PERSONAL AND CONFIDENTIAL

Mr. John Locke, President
Angeles Chemical Co., Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear John:

Enclosed is a copy of our fiscal 1988 Anchem ESOP update valuation study.

You will note on page 7 that there is a reference to the possibility of the Company purchasing from the stockholder partnership the underlying real property in Santa Fe Springs. In discussing this with you, I know that you are cognizant of your fiduciary responsibilities regarding Anchem's ESOP.

In the ESOP context I would like to point out the possible consequences of this transaction on the April 30, 1989 valuation update if the transaction occurs during fiscal 1989. One would be the leveraging up of Anchem's now long-term debt-free balance sheet and/or a decline in Company liquidity. Given the economic significance of this prospective transaction to the Company, the business appraiser would need to know that the transaction (between affiliated entities) is done at fair market value as supported by an independent real property appraiser. Another important consideration would be the issue of possible chemical contamination of the property (see page 8).

These issues are particularly significant since our valuation methodology is now derived primarily from balance sheet economics given the decline in Anchem's earnings and cash flow. On the plus side would be the elimination of Anchem's current property lease payments.

You will also note in this report on page 15 that we have taken a 10% discount for restricted marketability on the ESOP stock since Anchem adopted the installment pay-out policy to terminated plan participants as of April 1987. Menke & Associates was just recently informed of this change. Technically, a discount for restricted marketability should have been specified in the April 30, 1987 ESOP valuation of $39.25 a share. However, if one had been applied, I don't believe the value concluded, which had been reduced 18% from the prior year, would have been materially different.

Please call me if you have any questions on either of these points.

Sincerely yours,

MENKE & ASSOCIATES, INC.

Eric Bramstedt

Eric M. Bramstedt

EMB:ew

cc: Mr. James Froelich

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended February 29, 1988

Commission file number 1-5858

UNIVAR CORPORATION

A Delaware Corporation

IRS Employer No. 91-0816142

801 Second Avenue, 1600 Norton Building,
Seattle, Washington 98104
Telephone No. (206) 447-5911

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.33⅓ Par Value	New York Stock Exchange Pacific Stock Exchange
9¾% Subordinated Sinking Fund Debentures	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

The aggregate market value of the voting stock held by non-affiliates of the registrant at May 26, 1988 was approximately $78,200,000.

On May 26, 1988, the registrant had outstanding 8,685,542 shares (excluding treasury shares) of common stock of $.33⅓ par value, which is the registrant's only class of common stock.

Documents Incorporated by Reference

The Corporations Annual Report to Shareholders for the fiscal year ended February 29, 1988 (Item 1—Industry Segments of Part 1, Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV)

The Corporation's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (Item 10—Directors Only, and Items 11, 12(b), and 13 of Part III)

PART I

ITEM 1. BUSINESS

The Company

Univar Corporation was incorporated in September, 1966 to become the successor corporation in the merger of Van Waters & Rogers, Inc. and United Pacific Corporation, both long established companies then doing business in the western United States and western Canada. For the fiscal year ended February 29, 1988, Univar Corporation (Univar, the Company, or the Corporation) and its wholly-owned subsidiaries were involved in the distribution of industrial and agricultural chemicals and related products. Van Waters & Rogers Inc. conducts its operations throughout the United States. Van Waters & Rogers Ltd. conducts its operations throughout Canada.

Effective November 1, 1986 Univar acquired, through a transaction accounted for as a purchase, the net assets of McKesson Chemical Co. (MCC), one of the leading national distributors of industrial chemicals. Concurrent with the acquisition, the assets of the former Van Waters & Rogers division in the U.S. were combined with the MCC operations and those activities are now carried on through a wholly-owned subsidiary, Van Waters & Rogers Inc.

MCC had approximately 1,400 employees and generated sales of approximately $604,000,000 in its most recent fiscal year, so its acquisition represented an approximate doubling of Univar's business.

The transaction was an extremely important one in the development of Univar—one which doubled the Company in size and has made it the largest industrial chemical distributor in North America.

Financial Information About Industry Segments

Industry Segment Information for Univar for each of the last three fiscal years is reported in the Univar Corporation 1988 Annual Report on page 33, under the caption of Note 13. Industry Segment Information is incorporated herein by reference.

Raw Materials

Numerous sources of supply generally exist for all raw materials essential to the business.

Patents, Trademarks and Tradenames

Univar and its subsidiaries own certain trademarks and tradenames. Univar does not regard the trademarks or tradenames as being of particular importance in its current operations.

Seasonal Business

No material portion of the continuing operations of the registrant or its subsidiaries is regarded as highly seasonal.

Principal Customers

No segment of the continuing operations of the Company is dependent upon a single customer or a few customers, the loss of any one or more of whom would have a material adverse effect on the segment.

Competitive Conditions

In the distribution of chemicals and related products, Van Waters & Rogers Inc. and Van Waters & Rogers Ltd. compete with local, regional and national distributors, as well as manufacturers who sell direct. Although the acquisition of MCC established Univar as the largest industrial chemical distributor in North America, the Company faces significant competition from distributors who have a larger market share within local and regional markets as well as numerous other national distributors.

Research and Development

Univar and its subsidiaries do not engage in research activities relating to the development of new products and the improvements of existing products.

Environmental Regulation

It is not anticipated that compliance with federal, state and local provisions relating to the protection of the environment will have a material adverse effect on capital expenditures, earnings or competitive position of the registrant or its subsidiaries.

Employees

Two thousand five hundred forty-six persons were employed by Univar and its subsidiaries as of February 29, 1988.

Backlog

No record of the backlog of orders is maintained.

ITEM 2. PROPERTIES

Listed below are the principal plants and physical properties of the Corporation and its subsidiaries used in the wholesale distribution of industrial chemicals and/or pesticides. The Corporation believes its facilities are in good condition and adequate for its current operations.

VAN WATERS & ROGERS INC.

Location	Bldg. Area (Sq. Ft.)	Land Area (Acres)	Building Construction
Atlanta, GA	91,600	8.6	Concrete tilt-up panels
Cleveland, OH	48,000	5.6	Office: Brick and block veneer Warehouse: Steel frame
Dallas, TX	130,000	9.8	Office: masonry Warehouse: tilt-up concrete walls
Denver, CO	64,500	5.0	Brick & concrete
Grand Prairie, TX	52,000	5.0	Office: brick & concrete Warehouse: tilt-up concrete
Houston, TX	145,000	20.5	Office: concrete block Warehouse: concrete tilt-up panels
Indianapolis, IN	72,000	8.8	Office: concrete block Warehouse: concrete tilt-up panels
Kent, WA	132,000	11.7	Tilt-up concrete
Los Angeles, CA (Bonnie Beach)	155,800	9.4	Two story office, one story warehouse, tilt-up walls, wood roof supported by steel columns and metal siding on steel supports
Los Angeles, CA (Jillson Street)	139,372	7.0	Office: brick and concrete Warehouse: tilt-up concrete
Phoenix, AZ	63,850	10.0	Office: stump block Warehouse: concrete tilt-up
Portland, OR	95,300	9.6	Masonry
Salt Lake City, UT	68,000	4.6	Office: brick and mortar Warehouse: brick and mortar, cinder block and steel
San Jose, CA	121,500	14.6	Office: masonry Warehouse: tilt-up concrete
St. Paul, MN	86,600	9.0	Warehouse: precast insulated concrete panels Office: concrete with face brick
Schaumburg, IL	54,519	2.8	Brick and mortar
Spartanburg, SC	60,700	28.2	Cinder blocks and brick

Other Properties (owned or leased), which consist mainly of industrial warehouses and related office space:

Albany, NY
Albuquerque, NM
Altoona, PA
Anchorage, AK
Appleton, WI
Augusta, GA
Bakersfield, CA
Beaumont, TX
Bloomington, IL
Boston, MA
Buffalo, NY
Burlington, IA
Carlin, NV
Casper, WY
Charlotte, NC
Chattanooga, TN
Chicago Hts., IL
Chippewa Falls, WI
Cincinnati, OH
Columbus, OH
Corpus Christi, TX
Delray Beach, FL
Detroit, MI
El Paso, TX
Eugene, OR
Farmington, NM
Fayetteville, AR
Fort Wayne, IN
Fresno, CA
Geismar, LA
Glendale (Phoneix), AZ
Grand Rapids, MI
Greensboro, NC
Greenville, NC
Harlingen, TX
Harrisburg, PA
Honolulu, HI
Jacksonville, FL
Kansas City, MO
Kingsport, TX
Knoxville, TN
Lafayette, LA
Las Vegas, NV
Little Rock, AR
Longview, TX
Louisville, KY
Medley, FL
Memphis, TN
Milwaukee, WI
Mobile, AL
Nampa, ID
Nashville, TN
New Orleans, LA
Odessa, TX
Oklahoma City, OK
Omaha, NE
Orlando, FL
Oxnard, CA
Pasco, WA
Philadelphia, PA
Pittsburgh, PA
Pocatello, ID
Reno, NV
Richmond, VA
Riverside, CA
Rock Springs, WY
Sacramento, CA
San Antonio, TX
San Diego, CA
Sioux City, IA
South Bend, IN
Spokane, WA
Springfield, MO
St. Louis, MO
Tampa, FL
Tampa (PCS), FL
Toledo, OH
Tucson, AZ
Tulsa, OK
Wichita (Mead), KS
Wichita (Mosley), KS
Williston, ND
Woodbridge, NJ

VAN WATERS & ROGERS LTD.

Location	Bldg. Area (Sq. Ft.)	Land Area (Acres)	Building Construction
Calgary, Alberta, Canada	58,000	4.6	Concrete blocks and insulated steel construction
Edmonton, Alberta, Canada	58,000	5.6	Steel framed masonry construction
Richmond, British Columbia, Canada ..	93,000	8.7	Tilt-up concrete
Valleyfield, Quebec, Canada	79,500	23.9	Steel framed brick construction
Toronto, Ontario, Canada	120,000	11.3	Precast concrete

Other Properties (owned or leased) which consist mainly of industrial warehouses and related office space:

Abbotsford, British Columbia, Canada
Montreal, Quebec, Canada
Windsor, Ontario, Canada
Winnipeg, Manitoba, Canada

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Business Experience Past Five Years(2)	Position Held
James H. Wiborg(1)	63	Chairman and Chief Stragegist of Registrant	1986-
Chairman and Chief Strategist		Chairman and Chief Executive Officer of Registrant	1983-1986
Director		President and Chief Executive Officer of Registrant	1966-1983
James W. Bernard	50	President and Chief Executive Officer of Registrant	1986-
President and Chief Executive Officer		President and Chief Operating Officer of Registrant	1986-1986
Director		Executive Vice President of Registrant	1983-1986
		Senior Vice President of Registrant	1982-1983
		President, VWR Scientific Inc.	1974-1983
N. Stewart Rogers(1)	58	Senior Vice President of Registrant	1971-
Senior Vice President, Finance			
Nicolaas Samsom	53	Vice President of Registrant	1987-
Vice President, Administration		Vice President Administration and Treasurer, Van Waters & Rogers Ltd.	1973-1987
Dick A. Davis	49	Vice President of Registrant	1986-
Vice President, Environmental Affairs		Vice President, Operations and Materials Management, McKesson Chemical Co.	1983-1986
		Vice President, Materials Management McKesson Chemical Co.	1979-1983
David C. Gentry	47	Vice President of Registrant	1986-
Vice President, Human Resources		Vice President Human Resources, Van Waters & Rogers Division of Registrant	1984-1986
		Personnel Manager, Van Waters & Rogers Division of Registrant	1973-1984
Barry C. Maulding	42	Corporate Secretary of Registrant	1986-
Corporate Secretary and Director, Legal Services		Director, Legal Services of Registrant	1984-
		General Counsel and Assistant Secretary, Alaska Airlines, Inc.	1975-1984
Albert C. McNeight	56	Vice President of Registrant	1985-
Vice President		President, Van Waters & Rogers Ltd.	1985-
President, Van Waters & Rogers Ltd.		Executive Vice President, Van Waters & Rogers Ltd.	1984-1985
		Regional Vice President—Sales and Marketing, Van Waters & Rogers Ltd.	1974-1984
Gary E. Pruitt	38	Treasurer of Registrant	1987-
Treasurer and Asst. Secretary		Assistant Treasurer of Registant	1981-1987
Robert A. Steinseifer	60	Vice President of Registrant	1984-
Vice President		President, Van Waters & Rogers Inc.	1986-1988
		President, Van Waters & Rogers Division	1984-1986
		Executive Vice President, Chemical Division, Van Waters & Rogers Division	1980-1984
Guenter Zimmer	59	Vice President of Registrant	1984-
Vice President, Engineering		Director, Corporate Engineering of Registrant	1973-1984
David E. Olson	34	Assistant Treasurer of Registrant	1987-
Assistant Treasurer		Vice President Finance and Controller Wall Data, Inc.	1983-1987
		Auditor, Ernst & Whinney	1979-1983

(1) Family Relationships: Robert S. Rogers, a Director, is the brother of N. Stewart Rogers. Robert S. Rogers and N. Stewart Rogers are brothers-in-law of James H. Wiborg.

(2) No arrangement or understanding exists between any officer and any other person pursuant to which he was selected as an officer.

The Corporation is also a defendant in a lawsuit filed by UGI Corporation, which leases an industrial chemical distribution facility in Albuquerque, New Mexico to the Corporation. The suit alleges the operations of the Corporation have caused soil and/or groundwater pollution on the site. UGI and the Corporation have entered into an agreement to share the cost of an investigation. No agreement has been reached on the sharing of ultimate cleanup cost. This site is also part of a government investigation concerning alleged groundwater pollution in the South Valley Albuquerque area. Several other companies are also involved in this investigation.

Ten sites owned by the Corporation and one leased site are the subject of separate governmental proceedings or investigations concerning alleged soil and/or groundwater contamination.

While the results of the proceedings and claims against the Corporation are not presently determinable, based upon the information presently available, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations in the future.

Liability insurance which would respond to claims arising out of pollution is not now practically available. Accordingly, other than a large deductible policy covering liabilities from sudden and accidental pollution incidents up to $50,000,000 per incident, the Corporation does not now have environmental impairment liability insurance but has provided reserves to cover estimated remedial costs.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws will continue to impact the Corporation's operations. For the years 1988 and 1987, the Corporation spent approximately $1,600,000 and $1,300,000, respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations. At February 1988 and 1987 the Corporation had reserves for environmental matters of approximately $11,300,000 and $6,100,000, respectively.

A note in the principal amount of $10,100,000 plus accrued interest, related to a July 1984 sale by the Corporation of a former facility, went into default in May 1986. The Corporation had previously sold the note with recourse. Upon default the Corporation collected $3,750,000 by calling upon a letter of credit provided as security by the purchasers. In December 1986, the Corporation foreclosed on its deed of trust and repurchased the property at the foreclosure sale that it had originally sold in July 1984.

The purchasers and the bank which issued the letter of credit then made various claims for damages or recission, or for preferential rights to the proceeds of the December 1986 foreclosure sale of the property.

In October 1987, pursuant to a settlement agreement and mutual releases signed by all parties involved, the Corporation settled all claims relating to this matter by a payment of $2,750,000 which was accounted for as an increase in the basis allocation of the related property.

The Corporation had initiated an arbitration proceeding regarding the final purchase price for McKesson Chemical Co. See Note 11 to the Univar Corporation Annual Report for the year ended February 29, 1988.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Page 15 and the inside back cover of the Univar Corporation Annual Report to Shareholders for the year ended February 29, 1988 are incorporated herein by reference.

As of February 29, 1988, there were approximately 2,500 shareholders of record.

ITEM 6. SELECTED FINANCIAL DATA

Page 35 of the Univar Corporation Annual Report to Shareholders for the year ended February 29, 1988 is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pages 7 through 17 of the Univar Corporation Annual Report to Shareholders for the year ended February 29, 1988 are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 18 through 35 of the Univar Corporation Annual Report to Shareholders for the year ended February 29, 1988 are incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10 AND 11. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT AND EXECUTIVE COMPENSATION

The information required by these items is incorporated by reference to the Company's definitive Proxy Statement for its annual meeting to be held in August 1988.

Information regarding executive officers of the Company is included in Part I of this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference to the Company's definitive Proxy Statement for its annual meeting to be held in August 1988.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference to the Company's definitive Proxy Statement for its annual meeting to be held in August 1988.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements

As noted in Part II, Item 8, the following financial statements have been incorporated by reference from the Company's Annual Report for the year ended February 29, 1988.

	Annual Report Page No.
Consolidated Statements of Income	18
Consolidated Statements of Cash Flows	19
Consolidated Balance Sheets	20-21
Consolidated Statements of Shareholders' Equity	22
Notes to Consolidated Financial Statements	23-33
Report of Independent Public Accountants	34

(2) Consolidated Financial Statement Schedules

(a) Quarterly Financial Information (Unaudited) is incorporated herein by reference from the Company's Annual Report for the year ended February 29, 1988. This data is shown in Note 4 on page 26 of the Annual Report.

(b) The following financial schedules are submitted herewith. All other financial schedules are either not applicable or are fully disclosed in the applicable section of the Corporation's Annual Report:

Report of Independent Public Accountants—Arthur Andersen & Co. dated May 31, 1988.
Auditors' Report—Touche Ross & Co. dated April 11, 1988.
Schedule II—Contracts Receivable From Related Parties and Employees
Schedule V—Property, Plant and Equipment
Schedule VI—Accumulated Depreciation and Amortization of Property, Plant and Equipment
Schedule VIII—Valuation and Qualifying Accounts
Schedule IX—Short-Term Borrowings

(b) Reports on Form 8-K

There have been no reports on Form 8-K required to be filed.

(c) **Exhibits**

Exhibit Number	Description
13	1988 Annual Report to Shareholders of Univar Corporation (not to be deemed "filed" except with regard to specific sections which have been expressly incorporated herein by reference)
22	Subsidiaries of the Registrant
24.1	Consent of Independent Public Accountants—Arthur Andersen & Co.
24.2	Consent of Independent Public Accountants—Touche Ross & Co.
25	Power of Attorney
28.1	Undertakings
28.2	Form 11-K Annual Report for the Univar Corporation Stock Purchase Plan
28.3	Form 11-K Annual Report for the Univar Corporation Unisaver Tax Savings Investment Plan
28.4	Form 11-K Annual Report for the Van Waters & Rogers Ltd./Univar Corporation Stock Purchase Plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVAR CORPORATION

JAMES W. BERNARD
James W. Bernard
President and Chief Executive Officer
(Principal Executive Officer)

Date: June 3, 1988

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

N. STEWART ROGERS
N. Stewart Rogers
Senior Vice President, Finance
(Principal Financial Officer)

Date: June 3, 1988

GARY E. PRUITT
Gary E. Pruitt
Treasurer
(Principal Accounting Officer)

Date: June 3, 1988

DIRECTORS:

JAMES W. BERNARD
H. P. H. CRIJNS
RICHARD E. ENGEBRECHT
M. M. HARRIS
MARK W. HOOPER
CURTIS P. LINDLEY
ROBERT S. ROGERS
ANDREW V. SMITH
WILLIAM K. STREET
NICO VAN DER VORM
G. VERHAGEN
JAMES H. WIBORG
LOWRY WYATT

By: GARY E. PRUITT
Gary E. Pruitt, Attorney-in-Fact
Power of Attorney dated April 29, 1988

Date: June 3, 1988

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Univar Corporation:

In connection with our examinations of the consolidated financial statements included in Univar Corporation's annual report to shareholders and incorporated by reference in this Form 10-K, we have also examined the supplemental schedules listed in the accompanying index. We did not examine the financial statements or schedules of the Canadian subsidiary, which statements or schedules reflect total assets and revenues of approximately 15% and 14%, respectively, of the related consolidated totals. These statements and schedules were examined by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidairy, is based solely upon the reports of the other auditors. Our examinations of the consolidated financial statements were made for the purpose of forming an opinion on those statements taken as a whole. The supplemental schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These supplemental schedules have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, based on our examinations and the reports of other auditors referred to above, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Seattle, Washington,
May 31, 1988.

AUDITORS' REPORT

The Shareholder,
Van Waters & Rogers Ltd.

We have examined the consolidated balance sheets of Van Waters & Rogers Ltd. as of February 29, 1988 and February 28, 1987, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of the Company as at February 29, 1988 and February 28, 1987 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

TOUCHE ROSS & CO.
Chartered Accountants

Vancouver, Canada
April 11, 1988.

SCHEDULE II

CONTRACTS RECEIVABLE FROM RELATED PARTIES AND EMPLOYEES

UNIVAR CORPORATION AND SUBSIDIARIES

Description and Name	Balance at February 28, 1986 Current	Balance at February 28, 1986 Noncurrent	Additions	Payments	Balance at February 28, 1987 Current	Balance at February 28, 1987 Noncurrent	Additions	Payments	Balance at February 29, 1988 Current	Balance at February 29, 1988 Noncurrent
Employee Stock Purchase Plan— Contracts receivable, payable quarterly over three years through 1982 and seven annual installments thereafter, commencing in 1984; interest at 6% secured by stock of the Corporation:										
James H. Wiborg	$ 46,250	$185,000	$ —	$ 46,250	$ 46,250	$138,750	$ —	$ 46,250	$ 46,250	$ 92,500
Richard E. Engebrecht	27,750	111,000	—	27,750	27,750	83,250	—	27,750	27,750	55,500
Curtis P. Lindley	27,750	111,000	—	27,750	27,750	83,250	—	27,750	27,750	55,500
N. Stewart Rogers	24,050	96,200	—	24,050	24,050	72,150	—	24,050	24,050	48,100
James W. Bernard	18,500	74,000	—	18,500	18,500	55,500	—	18,500	18,500	37,000
Robert A. Steinseifer	12,950	51,800	—	12,950	12,950	38,850	—	12,950	12,950	25,900
	$157,250	$629,000	$ —	$157,250	$157,250	$471,750	$ —	$157,250	$157,250	$314,500
Employee Stock Purchase Plan— Contracts receivable, payable quarterly over three years through 1986 and seven annual installments thereafter, commencing in 1989; interest at 9% secured by stock of the Corporation:										
Jerrold B. Harris	$ 33,120	$261,463	$ —	$159,623	$ 33,120	$101,840	$ —	$ —	$ 33,120	$101,840
Eivind G. Lange	11,592	91,512	—	103,104	—	—	—	—	—	—
Robert A. Steinseifer	9,936	78,439	—	8,887	9,936	69,552	—	79,488	—	—
	$ 54,648	$431,414	$ —	$271,614	$ 43,056	$171,392	$ —	$ 79,488	$ 33,120	$101,840
Real Estate Contract Receivable— Robert and Lois Conachann Steinseifer; payable at ½ of Mr. Steinseifer's annual bonus applied first to accrued interest and then to unpaid principal; interest at 9%; unpaid principal due in 1986; secured by a deed of trust on real property	$ 15,000	$ 97,554	$ —	$112,554	$ —	$ —	$ —	$ —	$ —	$ —

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SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

UNIVAR CORPORATION AND SUBSIDIARIES

(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions: Additions at Cost	Additions: Assets of Company Acquired	Retirements	Other Changes—Add (Deduct)—Describe: Translation Adj(1)	Other Changes—Add (Deduct)—Describe: Other	Balance at End of Year
Year ended February 29, 1988:							
Land	$ 14,146	$ —	$ —	$ (107)	$ 95	$ 832 (2)	$ 14,966
Buildings	52,528	670	—	—	408	(2,782) (2)	50,824
Equipment	83,173	13,856	97	(253)	513	10,991 (2)	108,377
Leased property under capital leases	7,493	—	—	—	—	—	7,493
Construction in progress	8,091	4,236	—	—	—	(9,028)	3,299
	$165,431	$18,762	$ 97	$ (360)	$1,016	$ 13 (3)	$184,959
Year ended February 28, 1987:							
Land	$ 7,392	$ —	$ 6,929	$ (276)	$ 101	$ —	$ 14,146
Buildings	30,724	434	21,010	(107)	434	33 (2)	52,528
Equipment	37,000	6,298	40,634	(1,692)	539	394 (2)	83,173
Leased property under capital leases	3,989	—	3,504	—	—	—	7,493
Construction in progress	1,553	5,995	970	—	—	(427)	8,091
	$ 80,658	$12,727	$73,047	$(2,075)	$1,074	$ —	$165,431
Year ended February 28, 1986:							
Land	$ 6,304	$ —	—	$ (40)	$ (47)	$ 1,175 (2)	$ 7,392
Buildings	23,920	75	—	(213)	(203)	7,213 (2) (68) (4)	30,724
Equipment	31,268	3,636	—	(1,721)	(259)	4,220 (2) (144) (4)	37,000
Leased property under capital leases	3,989	—	—	—	—		3,989
Construction in progress	7,800	6,717	—	—	—	(12,596) (356) (5) (12) (4)	1,553
	$ 73,281	$10,428	$ —	$(1,974)	$ (509)	$ (568)	$ 80,658

(1) Foreign currency translation adjustments.
(2) Transfer from construction in progress.
(3) Reclassification from other asset accounts.
(4) Assets transferred to VWR Corporation in spinoff.
(5) Reclassification to other asset accounts.
(6) The annual provisions for depreciation have been computed principally in accordance with the following depreciable lives:

Buildings	10-50 Years
Equipment	3-40 Years
Leased property under capital leases	Lesser of asset or lease life

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions Charged to Expense	Retirements	Other Changes—Add (Deduct)—Describe: Translation Adj.(1)	Other Changes—Add (Deduct)—Describe: Other	Balance at End of Year
Year ended February 29, 1988:						
Buildings	$ 7,360	$ 1,841	$ —	$ 121	$ —	$ 9,322
Equipment	20,578	11,541	(218)	295	—	32,196
Leased property under capital leases	877	311	—	—	—	1,188
	$28,815	$13,693	$ (218)	$ 416	$ —	$42,706
Year ended February 28, 1987:						
Buildings	$ 6,120	$ 1,212	$ (84)	$ 112	$ —	$ 7,360
Equipment	14,550	6,750	(1,003)	281	—	20,578
Leased property under capital leases	655	222	—	—	—	877
	$21,325	$ 8,184	$(1,087)	$ 393	$ —	$28,815
Year ended February 28, 1986:						
Buildings	$ 5,462	$ 868	$ (149)	$ (49)	$(12) (2)	$ 6,120
Equipment	12,610	3,797	(1,669)	(133)	(55) (2)	14,550
Leased property under capital leases	476	179	—	—	—	655
	$18,548	$ 4,844	$(1,818)	$(182)	$(67)	$21,325

(1) Foreign currency translation adjustments.
(2) Assets transferred to VWR Corporation in spinoff.

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Year
Allowance for losses for the year ended:					
February 29, 1988	$1,586	$1,570	$ —	$1,379(2)	$1,777
February 28, 1987	$1,200	$1,302	$561(1)	$1,477(2)	$1,586
February 28, 1986	$1,016	$1,580	$ —	$1,396(2)	$1,200

(1) Reserves acquired in McKesson Chemical Company acquisition.

(2) Uncollectible accounts written off, net of recoveries.

SCHEDULE IX

SHORT-TERM BORROWINGS

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Description	Balance at End of Year	Weighted Average Interest Rate	Maximum Amount Outstanding During the Year	Average Amount Outstanding During the Year(3)	Weighted Average Interest Rate During the Year(4)
Year ended February 29, 1988:					
Payable to Banks(1)	$ 2,500	7.3%	$21,500	$ 8,297	7.6%
Commercial Paper(2)	$25,000	7.4%	$25,000	$25,000	7.7%
Year ended February 28, 1987:					
Payable to Banks(1)	$ 6,000	7.2%	$15,200	$ 6,450	6.3%
Commercial Paper(2)	$25,000	6.5%	$25,000	$25,000	6.7%
Year ended February 28, 1986:					
Payable to Banks(1)	$ 72	13.0%	$28,500	$16,777	9.0%
Commercial Paper(2)	$25,000	8.8%	$25,000	$25,000	9.1%

(1) Notes payable to bank represent borrowings under the line of credit borrowing arrangements which have no termination date but are reviewed annually for renewal.

(2) Commercial paper generally matures 30-60 days from date of issue with no provisions for the extension of its maturity.

(3) The average amount outstanding during the period was computed by totalling the average outstanding borrowings for each month and dividing by 12.

(4) The weighted average interest rate during the period was computed by dividing the actual interest expense by average short-term debt outstanding.

Univar
CORPORATION

A Value Growth Company

TO THE SHAREHOLDERS OF UNIVAR CORPORATION:

Improved results were consistent throughout the company, with both our U.S. and Canadian operations contributing excellent gains in sales and earnings.

Results of Operations
Our industrial chemical distribution activities produced good results for the fiscal quarter ended May 31, 1988. Sales for this period increased by 18% to $323,973,000, as compared to $275,146,000 in the same quarter a year ago. Net earnings advanced by 47%, increasing from $2,769,000, or $0.32 per share, to $4,070,000, or $0.46 per share, for this year's comparable quarter. These improved results were consistent across the company, with both our U.S. (Van Waters & Rogers Inc.) and Canadian (Van Waters & Rogers Ltd.) operations posting excellent gains.

The sales increases are a result of generally good business conditions, our continuing penetration of certain target markets, the August 1987 acquisition of King Agri-Serve in Canada, and an inflation rate of about three to four percent since a year ago. ChemCare®, our waste management service introduced in the U.S in March of this year, is still too small to be significant in our overall result, but the service has been well accepted across the country.

The gross margin percentage applicable to our sales dropped slightly, reflecting a change in our mix of business, which this year includes a slightly higher proportion of carload business which carries lower gross margins with corresponding lower expenses.

Expenses for the quarter also were helped by lower environmental charges, reflecting the fact that our year-end environmental reserves of approximately $11 million are adequate to provide for estimated costs of recognized remedial projects. Last year's comparable quarter absorbed $750,000 of pre-tax additions to these reserves.

Dividend Declared
On June 6, 1988, the company paid an increased dividend of $0.10 per share. On June 24, the Board of Directors declared a regular dividend in the amount of $0.10 per share payable September 6 to shareholders of record August 12, 1988. This dividend continues the increased rate of cash payout instituted with the June 6 dividend.

Annual Report/Annual Meeting
Within the past few days you should have received your 1988 Univar annual report, which contains considerable detail on the

FIRST QUARTER REPORT
Three months ended May 31, 1988

BR000539

operations and finances of the corporation. Enclosed with that report was information on the annual meeting, which will be held at 9:30 a.m. August 26, 1988, at the Museum of Flight, 9404 East Marginal Way South, Seattle, Washington.

Also enclosed was your proxy card. **Even if you plan to attend the meeting we urge you to promptly sign and return the proxy card.** If you attend the meeting and wish to vote in person, your proxy may be revoked at your request that day. Matters to be voted on at the meeting will include the election of four directors for terms which will expire in 1991, a shareholder proposal, and ratification of Arthur Andersen & Co. as independent auditors for the year ending February 28, 1989.

Outlook

The U.S. and Canadian economies both continue to grow at moderate rates and, although the present economic expansion has continued longer than normal, we do not see any evidence of a business downturn. Both March and May were exceptionally good sales months and June sales as of this writing are falling into the same pattern.

We are continuing to improve our internal operations, our service to customers, and our control over potential future incurrence of product and environmental liabilities.

Absent some sudden change in the economy or in our operations, we are on course for an excellent year.

Sincerely,

James W. Bernard

James W. Bernard
President and Chief Executive Officer

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Univar Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)(Note 1)

(In Thousands)	Three Months Ended May 31, 1998	1997
OPERATING ACTIVITIES		
Net income	$ [illegible]	$ [illegible]
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	[illegible]	[illegible]
Deferred income taxes	14	[illegible]
Equity in net earnings of unconsolidated subsidiary	[illegible]	—
Deferred liabilities and credits	[illegible]	(5)
Other	28	27
Change in assets and liabilities:		
Accounts receivable	(10,068)	(4,816)
Inventories	(16,157)	(10,040)
Other current assets — net	(1,922)	(3,898)
Accounts payable	18,364	4,679
Other current liabilities — net	[illegible]	9,082
Net cash provided (used) by operating activities	(2,996)	[illegible]
INVESTING ACTIVITIES		
Proceeds from investments	—	[illegible]
Payment for purchase of investments	(694)	—
Additions to property, plant and equipment	(11,183)	(2,905)
Net change in other assets	125	15
Net cash used by investing activities	(11,552)	(1,830)
FINANCING ACTIVITIES		
Short-term borrowings — net	13,296	2,005
Exercise of stock options	33	34
Long-term debt financing	30,000	5,000
Reduction of long-term debt	(16,332)	(423)
Payment of dividends	(988)	(434)
Net cash provided by financing activities	[illegible]	6,183
Net Increase in Cash	[illegible]	[illegible]
Cash (book checks outstanding in excess of funds in banks) at beginning of period	[illegible]	[illegible]
Cash (book checks outstanding in excess of funds in banks) at End of Period	$ [illegible]	$ [illegible]

NOTE:

1. The LIFO [illegible] ... Calculation of inventory under the LIFO method is made at the end of each fiscal year. Interim financial results are based on estimated LIFO adjustments and are subject to final year-end LIFO inventory amounts.

Univar
CORPORATION
1600 Norton Building
801 Second Avenue
Seattle, WA 98104

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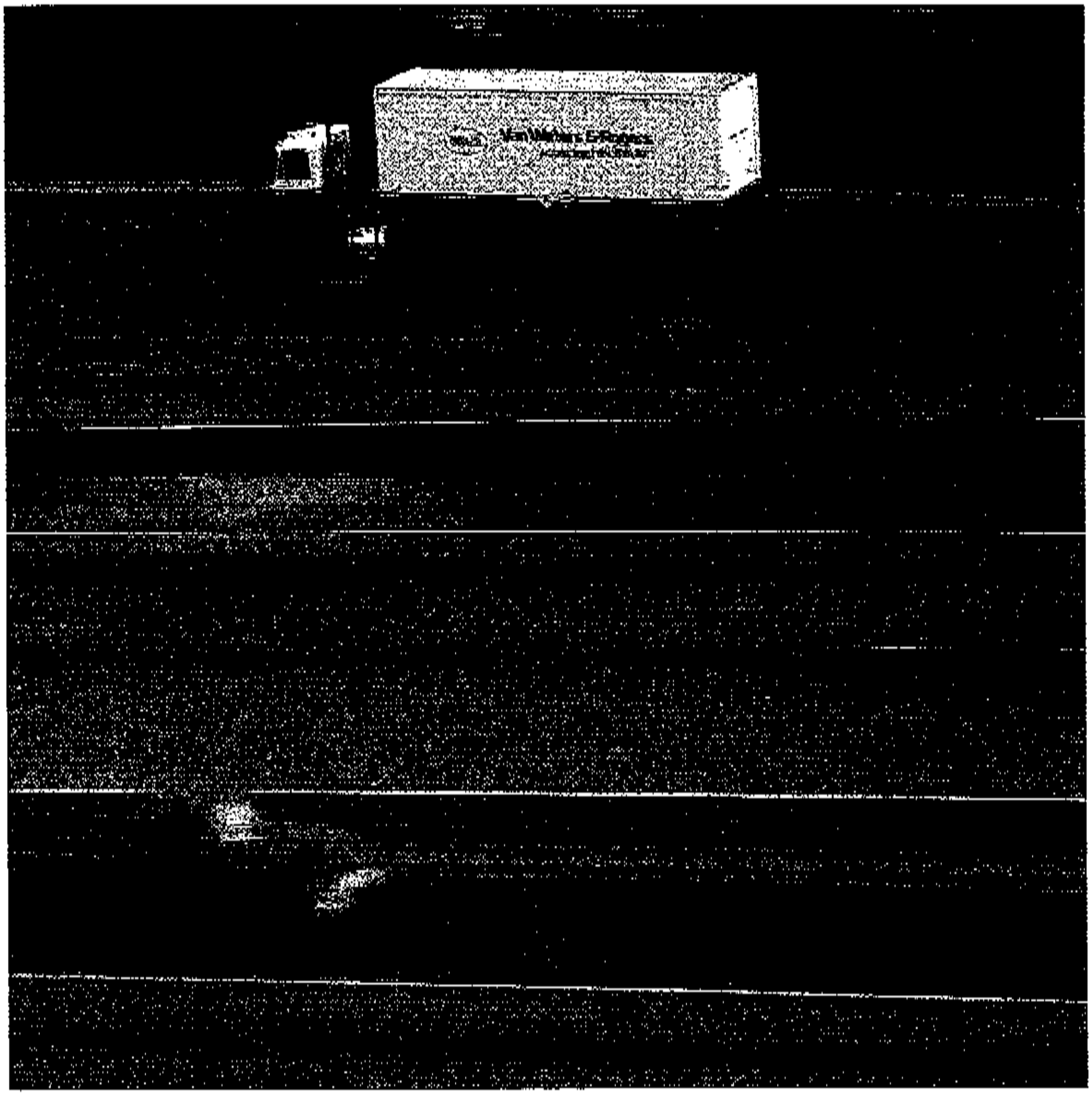
Univar
CORPORATION

A Value Growth Company



Univar Corporation is a service business engaged in the distribution of a broad range of industrial chemicals. It operates through two subsidiaries, Van Waters & Rogers Inc. in the United States and Van Waters & Rogers Ltd. in Canada.

1988 Annual Report

CONTENTS

COMPARATIVE HIGHLIGHTS

For the Years Ended February 29/28

("Operations" and "Financial" amounts in thousands)	1988	1987
Operations		
Sales	$1,117,309	$693,279
Income before taxes	21,436	1,495
Provision for taxes on income	10,273	783
Net income	11,163	712
Dividends declared	1,737	1,484
Per Share		
Net income	1.27	.11
Dividends declared	.20	.20
Book value	11.08	9.80
Financial		
Working capital	67,171	51,201
Current ratio	1.40:1	1.36:1
Shareholders' equity	96,254	85,068
Inventories	98,635	77,999
Trade accounts receivable—net	117,535	103,578
Property, plant and equipment—net	142,253	136,616
Other		
Shareholders at year-end	6,100	6,066
Employees	2,546	2,453

This was a year of great accomplishment for Univar Corporation, both financially and organizationally. Sales for the first time exceeded $1 billion, in spite of the cost and disruption involved in a major restructuring of our U.S. business.

TO THE SHAREHOLDERS OF UNIVAR CORPORATION:

The fiscal year ended February 29, 1988 was one of great accomplishment for Univar Corporation. Consolidated sales for the United States and Canada, at $1,117,309,000, exceeded the billion dollar mark for the first time, and earnings for the year were up significantly.

In the United States, we dramatically improved our operating results in spite of the disruption and expense involved in merging the people, facilities, and systems of McKesson Chemical Co. (acquired November 1, 1986) with those of Van Waters and Rogers Inc., our U.S. subsidiary.

In Canada, Van Waters & Rogers Ltd. exceeded the $200 million (Canadian) gross sales level for the first time, producing record profits for the Canadian operations of the Corporation.

For the year, Univar's net earnings totaled $11,163,000, or $1.27 per share. In the preceding year (which only includes the McKesson Chemical Co. activity subsequent to November 1, 1986) net earnings were $712,000, or $0.11 per share, on sales of $693,279,000.

Our U.S. sales volume this year, at $966,664,000, reflected a 0.3% decline from the combined operations of McKesson Chemical Co. and Van Waters & Rogers Inc. during the prior year. Initially, we had been concerned that buyers who had been using Van Waters & Rogers and McKesson Chemical Co. as dual sources of supply would transfer substantial amounts of business away from the combined company. Those concerns now seem unfounded; our increased capacity to service national accounts, our increased geographic coverage, and our greatly strengthened organization are being well received by customers.

In terms of our relationships with the manufacturers whose products we sell, reaction to the expansion has been uniformly positive. The sales and technical support we are receiving has never been stronger, enabling us to enhance customer service in the areas of regulatory compliance, product stewardship and timely delivery of needed goods.

In the long run we believe our organizational accomplishments for the year will prove to be of more importance than the financial results, as they establish the base for recurring and increasing financial success in future years.

Among these accomplishments were the consolidation of duplicate operations in 26 markets, the merging of Van Waters & Rogers Inc.'s San Francisco staff office functions into those of the corporate staff in Seattle, completion of a corporate-wide review of environmental and operational practices by the newly formed environmental affairs department, restructuring and expansion of our marketing effort, consolidation of two computer systems into one for accounting and operations, and the introduction of new services to customers. All of these are discussed in the Management Discussion and Analysis section of this report (pages 7-17).

At year-end, Robert A. Steinseifer retired as President of Van Waters & Rogers Inc., a position he had held since 1983, in line with his plans announced early last year. At retirement, Mr. Steinseifer had completed a career of more than 36 years with Van Waters & Rogers Inc., a period during which he has seen it grow from a regional West Coast diversified distributor to North America's largest distributor of chemicals. He remains a Vice President of Univar.

Since the spin-off of its former subsidiary, VWR Corporation, on March 1, 1986, Univar has been engaged solely in activities related to the distribution of industrial chemicals in the United States and in Canada. With this focus to our business, we are moving toward the integration of the Van Waters & Rogers Inc. activities with those of Univar — a step we believe will produce economic benefits while simplifying and strengthening our organization. As an initial part of this process of functional integration, I have succeeded Mr. Steinseifer as President of Van Waters & Rogers Inc. so that the Regional

Vice Presidents as well as the President of Van Waters & Rogers Ltd. now report directly to me. We believe this direct reporting relationship will provide for better direction and control and for faster, more consistent response to business problems and opportunities as we plan for the future.

On behalf of management and shareholders of Univar, I would like to express appreciation to all of our employees for their dedication and forbearance during this period of radical change.

I am particularly pleased by the way the people of Univar — those who joined our organization with the acquisition and those who had been with Van Waters & Rogers at that time — have become part of the same "team." We vowed when acquiring McKesson Chemical Co. that we would forge a new, stronger operation in which every employee had an equal chance to contribute and excell, and while the succeeding 16 months may not have been easy ones in many ways, we believe the record shows we have made good progress toward accomplishing our objectives. We are a new organization, and many of the people who have assumed important positions and responsibilities in the expanded operations of Univar joined us with the acquisition or "moved up" from Van Waters & Rogers. They and their colleagues throughout the company are making major contributions to the success of our Corporation.

With the continuing support of our employees, and with the help of our Board, our suppliers and, most particularly, our customers, we intend to continue Univar's record of success.

Sincerely,

James W. Bernard

James W. Bernard
President and Chief Executive Officer

Over the past year, we have developed a series of short statements about the future of the chemical industry, and the relationship that we want to maintain between Univar and its various constituencies. We offer these statements as a strategic vision of our opportunities and objectives.

The Chemical Industry:
- will become more global in nature
- distributors will become more important
- there will be consolidation among distributors
- computer technology/systems will become critical to business success
- there will be increased regulation and greater environmental safety awareness
- spent chemical management will grow in importance
- the demand for quality in products, in services, and in operating systems will continue to intensify

Our Shareholders:
- need to be kept well-informed about the Company and our industry
- should understand our commitment to the policy of concentrating on long-term growth in value
- are entitled to enjoy the results of our success in the forms of premium rates of earnings on equity and increasing dividends

Our Employees:
- must understand and apply the concept of long-term growth in value
- must have personal and professional integrity
- should develop a strong entrepreneurial spirit
- must be knowledgeable about our products, our business and our customers
- need to have pride in the Company, themselves and their responsibilities
- need the willingness to strive to be the best
- should have a maximum opportunity for personally and financially successful careers

We Want to Work with Customers who:
- are sound, responsible business partners
- are leaders in their industry
- acknowledge the value of distribution
- have a strong commitment to product stewardship
- provide the potential for future growth

We Want to Work with Suppliers who:
- demonstrate industry leadership
- understand how distribution adds value
- have a strong, responsive commitment to their distributors
- use a limited number of distributors
- understand end-users' requirements
- support a program of product stewardship
- are innovative and forward-looking

Our Communities:
- deserve our support as a strong, active and responsible corporate citizen
- should be made aware of our contributions to their quality of life

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Our distribution centers, which include liquid and dry chemical storage, are strategically located throughout the United States and Canada. They provide our customers with timely, complete delivery of the chemicals they need at competitive prices.

Univar has several priorities as a distributor of chemicals:

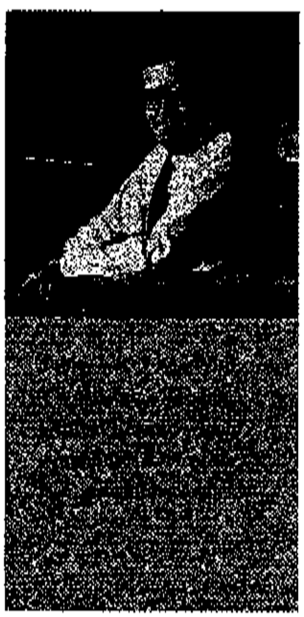
- to serve customers by giving them the broad selection of the chemicals they need at a fair price and with timely, reliable service,
- to serve suppliers by offering an efficient, cost-effective, responsible means by which they can get their products to end users, and
- to serve society at large by operating safely and responsibly, and by helping to ensure that the chemicals we distribute are used and disposed of in a safe and legal manner.

Meeting these priorities is crucial to providing our shareholders with meaningful, ongoing growth in the value of the Company and their investment.

Increased size and resources as a result of our acquisition of McKesson Chemical Co. have improved our ability to serve all of our markets. We had been an industry leader in distribution to the coatings, water treatment, mining, electronics and energy industries, and now we have greatly enhanced capabilities and market share in the food processing, pharmaceuticals, cosmetics and chemical formulation industries. One of the key advantages we now enjoy is the ability to transfer within the company the market knowledge and experience that had been concentrated in specific offices, markets, or geographic areas.

To capitalize on these new strengths, during the past year we have developed a new, more aggressive marketing structure in the United States that reaches to the regional level. Newly created positions include Industry Managers for the electronics, paints and coatings, food and chemical compounding industries. Regional Marketing Managers have been named for each of the four regions in the United States, and six new National Account Managers have also been named.

This new structure enables us to put our national and regional capabilities to work serving national and large regional customers in a more efficient and effective way. It allows us to coordinate our efforts with those of suppliers and customers on an industry-by-industry basis. We have found that suppliers and customers alike appreciate being able to come to Univar with new products, new markets or new needs, confident that they will be dealing with a knowledgeable, experienced, and service-oriented company.

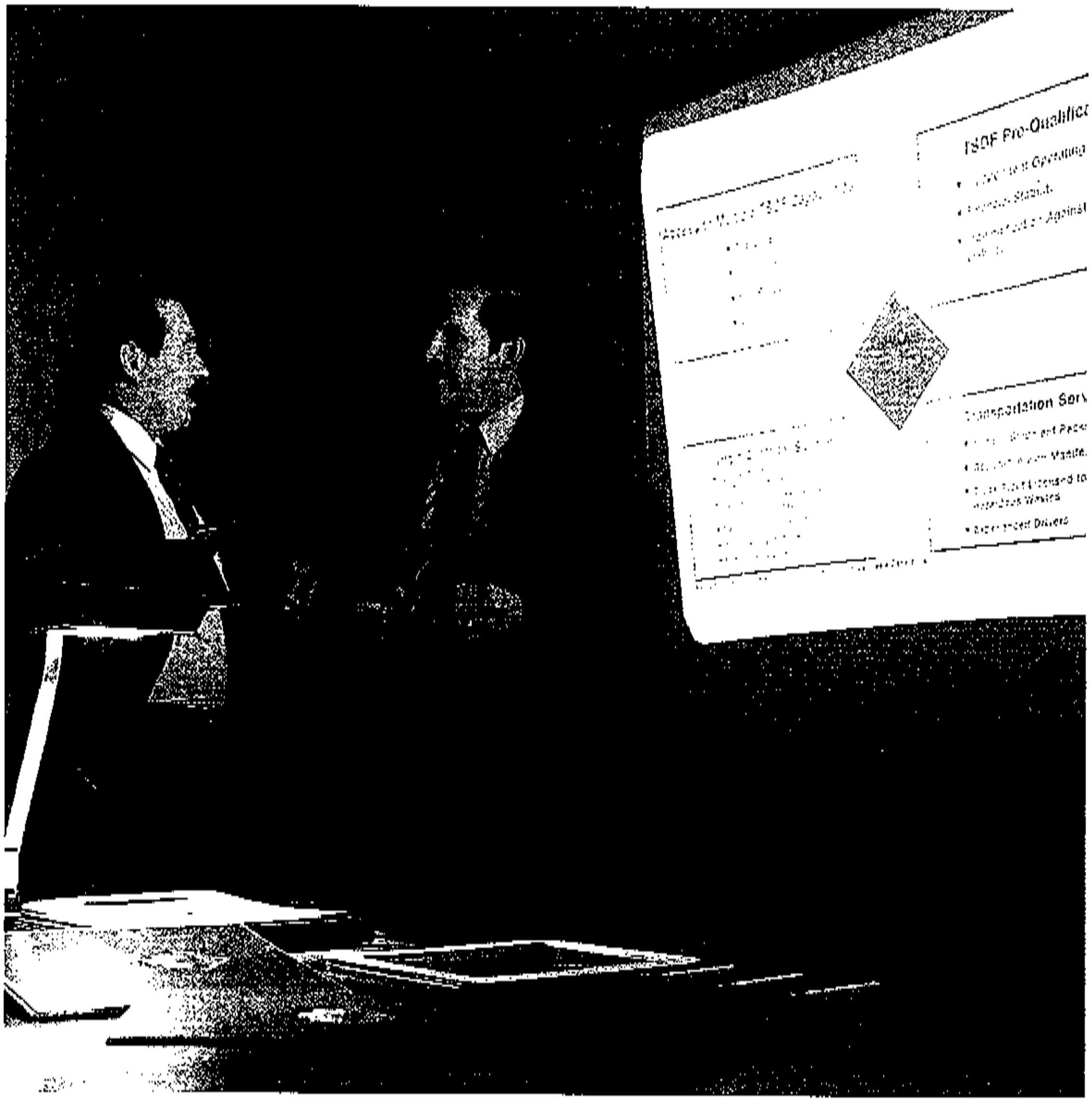


Environmental Affairs

Univar — through its predecessor companies — has been in the chemical distribution business for 135 years. We know that the products we distribute contribute significantly to the progress and quality of life we enjoy. We also know that the proper handling of chemicals is as essential to the overall health and strength of the chemical industry as it is to the environment.

In recognition of this concern, the Board of Directors has approved a revised corporate policy on safety and environmental affairs. This policy makes active commitment to safety and environmental concern a condition of employment throughout Univar. This policy has been introduced and communicated to all employees, with the clear message that our future as a company is tied to our ability to carry through on this policy in all facets of our activities.

Operations training, a cornerstone of our overall environmental program, was strengthened by the implementation of a five-part program aimed at increasing employees' awareness of their role in maintaining



We offer a number of specialized services to assist customers in their use of chemicals. ChemCare™, for example, our chemical waste management service, has been very well received by customers whose processes result in leftover or waste chemicals.

environmental safety with our business partners and at our facilities. As part of the training, each employee is tested on their understanding of key elements of the program.

Our environmental team, under the direction of Dick A. Davis, Vice President-Environmental Affairs, now includes nearly two dozen specialized positions reaching to the regional level. In addition, of course, every employee of Univar is part of the environmental effort.

ChemCare™

ChemCare, a new service introduced by Univar in the United States March 1, 1988, makes it easier for the nation's hundreds of thousands of chemical waste generators to have their waste treated or disposed of safely and responsibly — an important element in our corporate commitment to product stewardship and environmental concern.

ChemCare gives these waste generators (they range from neighborhood dry cleaners to major manufacturers or other industrial entities) a menu of carefully screened and approved treatment, storage or disposal facilities (TSDFs) to chose from, assists them in understanding the procedures and paperwork required by federal, state and local regulations in dealing with the waste, and then transports the waste chemicals to the selected TSDF for recycling or disposal.

The market for ChemCare is very large and continues to grow with each new environmental regulation. We expect ChemCare to enhance our basic business of industrial chemical distribution by allowing us to provide a valuable new service to customers without significant additional investment in facilities, trucks or personnel. At the same time, ChemCare will enable us to "close the loop" on the chemicals we distribute, ensuring that they are recycled or disposed of in a manner that safeguards the environment.

The response ChemCare has received from customers and suppliers alike has been very positive. We believe ChemCare allows us to provide a needed service to our customers, suppliers and society at large with an attractive return.

Van Waters & Rogers Ltd.

Our Canadian operations had a record year, with net earnings increasing almost 50% over the previous year and gross sales exceeding $200 million (Canadian) for the first time. As the Canadian economy strengthened, particularly in the Montreal, Toronto, and Vancouver markets, we were able to more fully utilize the investment in service capabilities made in those markets in recent years.

The size and profitability of Van Waters & Rogers Ltd. continue to develop very well. In the three most recent fiscal years, sales, in U.S. dollars, have increased successively from $118,378,000 to $123,924,000, and then to $150,646,000. Each of these years represented a new record in total volume, attained despite periodic weakness in the Canadian economy. Combined with these sales increases, continuous attention to expense control produced after-tax earnings, in U.S. dollars, of $2,386,000, $2,263,000 and $3,330,000 for the three-year period.

Effective August 1, 1987, Van Waters & Rogers Ltd. acquired all of the outstanding shares of King Agri-Serve Inc., an agricultural chemical distributor with operations in Manitoba, Ontario, and Saskatchewan. King, which last year had sales of approximately $30 million (Canadian), is a highly seasonal activity and, as expected, did not contribute significantly to sales or earnings in our first six months of ownership. The upcoming spring and summer months, however, should support the invest-

With more than 100 full-service distribution facilities throughout the United States and Canada, each employee places a high priority on providing premium service to every customer.

Modern facilities, like the warehouse of our Toronto distribution center, enable us to serve customers efficiently and effectively.

ment well and the new operations are expected to provide a "critical mass" on which to build our industrial chemical distribution activities in the prairie provinces of Manitoba and Saskatchewan.

Van Waters & Rogers Inc.

In the United States, a historical review of the last three years does not provide much opportunity for meaningful analysis because of the major changes that have occurred during the period.

For the fiscal year ended February 1986, sales volume for Van Waters & Rogers was $420,150,000 and net income totalled $5,660,000. The following November 1, the Company more than doubled in size with the acquisition of McKesson Chemical Co., which was accounted for as a purchase. The acquired operations were thus included for only four months of the 1987 fiscal year, but the effect was to increase sales for the year to $569,355,000. Earnings decreased to $2,127,000, reflecting costs related to the acquisition.

In the most recent year, sales again jumped — this time to $966,664,000 — reflecting a full year's inclusion of the acquired operations. Net earnings, at $12,485,000, continued to be adversely affected by consolidation costs, but reached a rate of 1.3% on sales.

The combined sales of Van Waters & Rogers Inc. and McKesson Chemical Co. in the pre-acquisition fiscal year of 1986 was approximately $1,029,553,000 per year. The slight decline this year is consistent with our emphasis on pursuing selectivity rather than an increase in volume.

Personnel and Organization

Change has been a major part of every Univar employee's life since our acquisition of McKesson Chemical Co. In the United States, staffing changes were completed in the four new regional offices created at the end of fiscal 1986/87 and in cities where we consolidated duplicated operations. As a result, many employees have experienced changes in their co-workers, their responsibilities, or in their own physical work location.

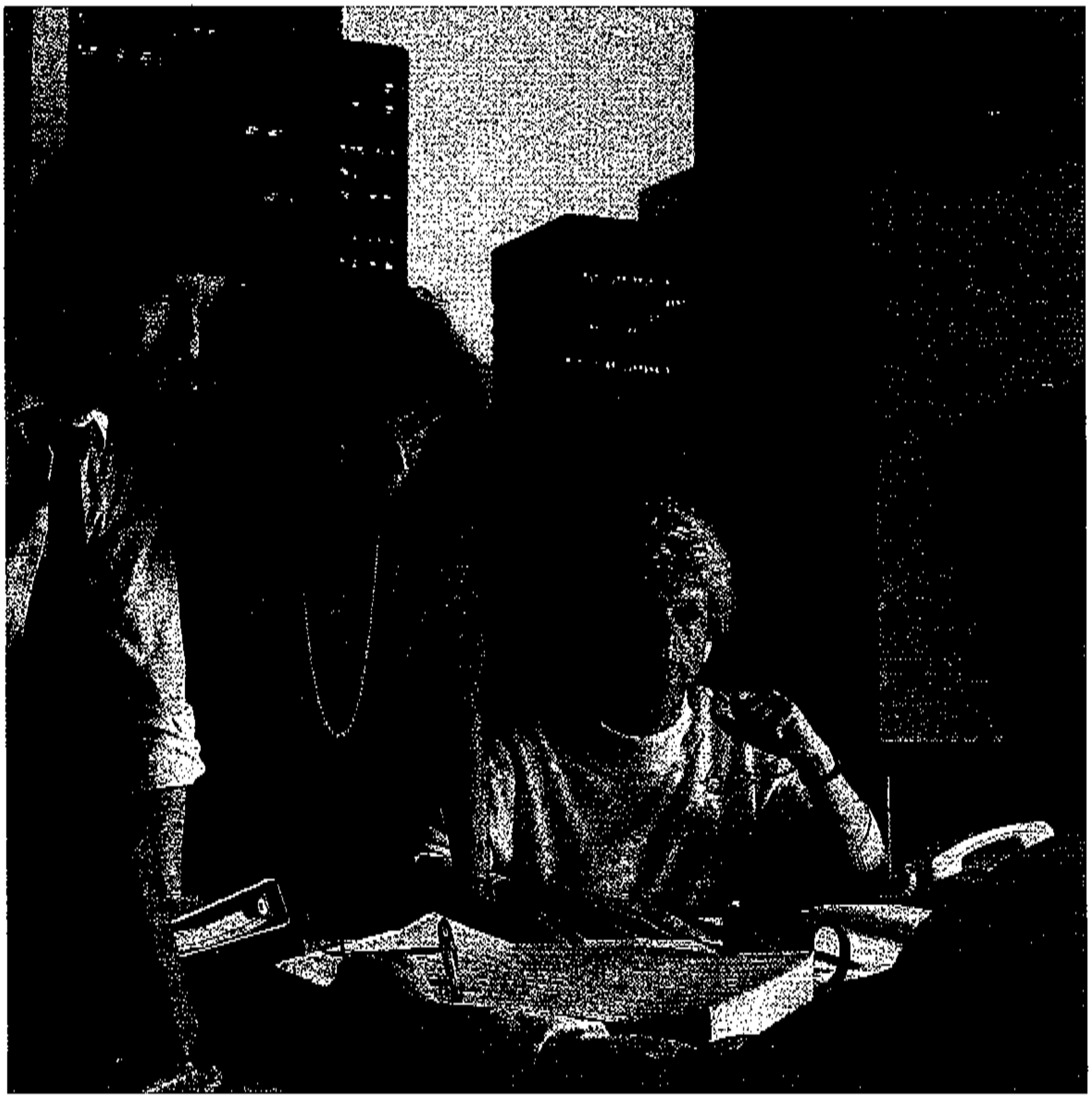
In response to the obvious challenges such change presents, "Team Building" became a dominant theme last year. We believe that the effort to date has been and will continue to be highly successful.

To help clarify our goals for organizational and business objectives, we held our first national senior management meetings late in the year to develop a clear concensus on the direction and operations of the Company, and an increase in two-way communication within Univar and its subsidiaries.

To further strengthen management skills, Univar has initiated a formal video-assisted training curriculum on basic skills and employee selection. Response from line managers has been very encouraging, and we intend to expand this effort.

During the past fiscal year, the Company renegotiated collective bargaining agreements at eight locations. New contracts were reached at all of these offices without work stoppage.

The merger of Van Waters & Rogers Inc.'s San Francisco area headquarters into the Univar corporate headquarters in Seattle, and consolidation of accounting and operating systems into the Company's computer network also were completed in late 1987. Our obligation to pay for the availability of the McKesson Corporation computer system ended April 30, 1988. While we were relieved of the duplicate expense at that time, computer-related expenses for the upcoming 12 to 24 months will continue to be substantially above normal because of the level of outside support required to develop and install new, more powerful systems for the future.



The next-generation computer system, presently under development by our Management Information Services department, is part of our commitment to improving the systems that enable us to provide exemplary service.

Darwin Simpson is in charge of our Eastern Region, which includes offices in 18 states, and which contributes 21% of VW&R Inc.'s sales.

To provide additional management for the enhanced Corporate staff, Mr. Nicolaas Samsom was elected Vice President–Administration. This new position includes corporate-wide responsibility for data processing, accounting, legal services, planning and personnel functions of the Corporation. Mr. Samsom, who had been with Van Waters & Rogers Ltd. since 1957 (most recently as Vice President and Treasurer), continues as a Director of the Canadian company.

Mr. Samsom was succeeded as Treasurer of Van Waters & Rogers Ltd. by Mr. Fred Hermesmann, formerly National Credit Manager for the Canadian subsidiary and an employee since 1972.

With the retirement of Mr. Steinseifer as President of Van Waters & Rogers Inc., Mr. James W. Bernard, President of Univar, in a move that simplifies our organizational structure, also assumed the presidency of Van Waters & Rogers Inc.

Liquidity and Dividends

At fiscal year-end, the various ratios used by management to analyze our financial status were within normal parameters. However, we believe our balance sheet contains a substantial volume of excess capital not actively employed in the business, which should be redeployed in order to reduce interest costs, free up borrowing capacity for profitable investment opportunities, and generally increase the financial efficiency of the Company. Principal examples of this excess capital investment include duplicate (and unused) facilities related to the 1986 acquisition of McKesson Chemical Co., as well as a receivable from McKesson Corporation which will not be available until the final resolution of a recently completed arbitration relative to that acquisition.

With depreciation currently running approximately $14 million per year, we expect to be able to cover normal replacement of facilities on an ongoing basis. However, there are other major projects which we may elect to separately finance. Principal among these is Los Angeles, where we have purchased approximately 36 acres of land for a new combined facility, a project we estimate will cost about $18 million. At Omaha, we also face the need to combine two existing facilities, and expect that the replacement facility there will cost approximately $3.5 million. Other significant projects planned over the next five years include new construction or expansion in Chicago, Montreal, and Phoenix.

By using a combination of project financing and the cash proceeds from the redeployment of assets described earlier, we feel that our projected expenditures can be handled without strain.

In short, the Company has substantial sources of cash in its existing balance sheet but, for the reasons outlined above, the timing of the receipt and distribution of the cash is unpredictable. To bridge any timing mismatch that might occur between cash inflows and expenditures, management maintains banking relationships which provide borrowing capacity substantially above the projected requirements of the business.

Given this financial flexibility, in April 1988 the Board of Directors increased the dividend rate to $0.10 per share per quarter. This was done in recognition of the fact that the dividend was set at an extremely low rate after the restructuring of the Corporation in 1986 and had been main-

Education and training of pest control operators is an important function for VW&R's pest control supply department in the United States.

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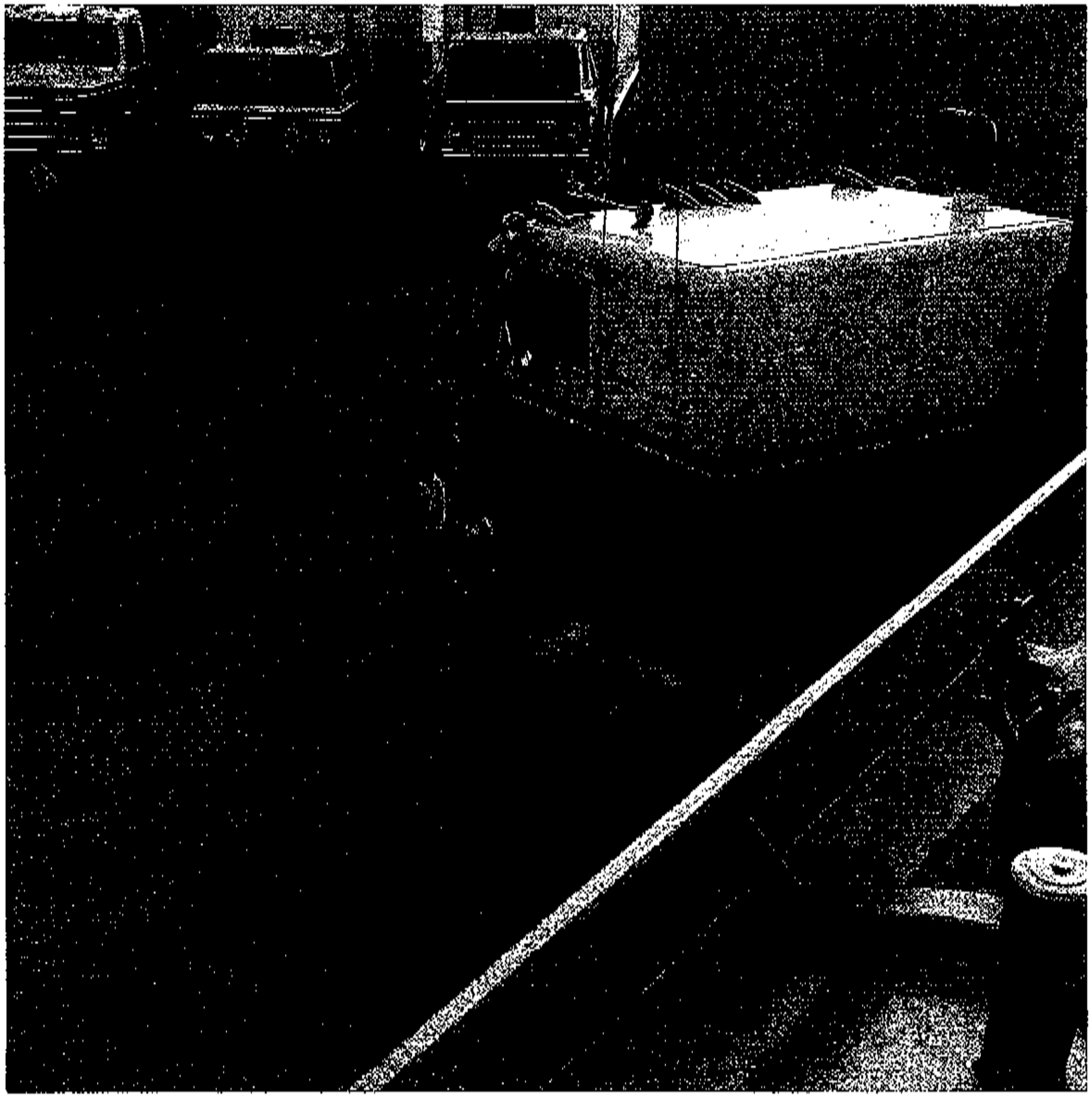


Our nationwide fleet of over 1,200 trucks and trailers includes rigs of all sizes and capacities, over 400 of which are licensed to haul hazardous waste chemicals. All are operated by trained professional drivers who are dedicated to providing timely delivery and excellent service to our customers.

tained at that level until the effects of the McKesson Chemical Co. acquisition were clear.

The following table summarizes the Company's consolidated sales history and trend of sales dollars and percentages of gross margin.

Bevan Cates heads up our 13-state Western Region, which accounts for 39% of U.S. sales.

Sales and Gross Margin

(In thousands of dollars)	*1988*	*1987*	*1986*
Sales	$1,117,309	$693,279	$538,388
Gross Margin	166,845	103,375	80,091
Gross Margin	14.9%	14.9%	14.9%

Throughout the major changes discussed, we have maintained gross margin at 14.9%, providing a rapidly increasing stream of income from which to finance operations.

Stock Price

Univar's shareholders fared well in the volatile markets that prevailed during the year. The Corporation's stock closed at $16.50 on February 28, 1987, and by February 29, 1988 had risen to $18.00, a 9.1% increase.

This increase compares with the year-to-year decrease in the S&P 500 of 5.4%. The strength of Univar during this period is most likely attributable to a growing recognition that the Corporation has a major opportunity to improve both the quality and the size of its business over the next few years.

Along with most publicly traded companies, our stock was hit hard in the October 1987 "crash," moving from a high of $28.00 on September 30, 1987 to a low of $14.50 on October 29. From that point until the end of the fiscal year, the stock increased by 24.1% to its $18.00 February 29, 1988 close.

The action of the market in October had no apparent effect on the Company's business, nor do we anticipate any in the future except to the extent that general economic activity might slow in coming months.

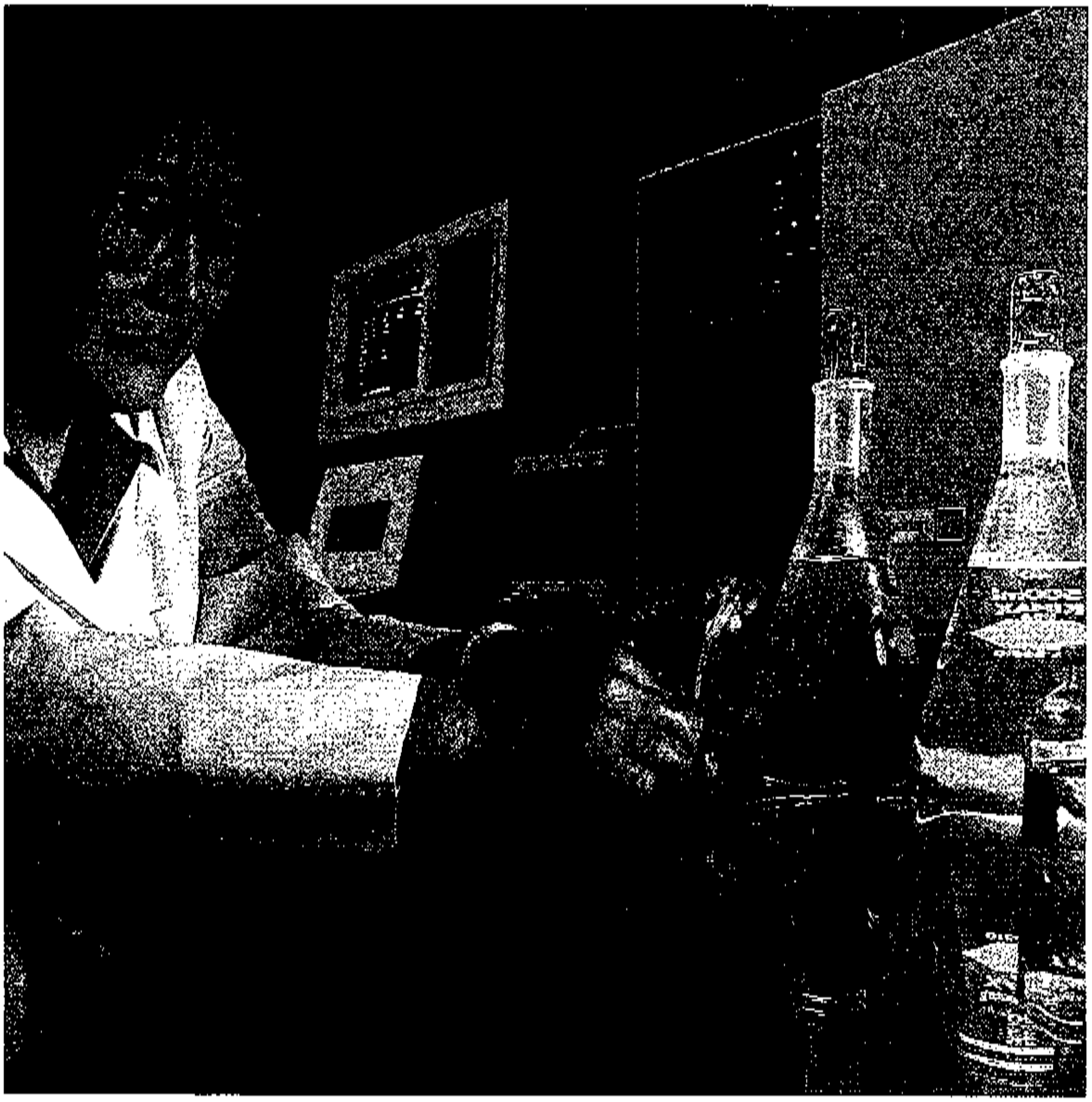
The record of stock price and dividends by quarter for the three years ended February 29, 1988 is as follows:

Stock Price & Dividend Information

For the Year Ended February 28/29		*Market Price* *High*	*Low*	*Dividends Paid*
1986	First Quarter	19.75	16.25	.20
	Second Quarter	20.38	18.38	.20
	Third Quarter	23.75	18.75	.20
	Fourth Quarter	[1]25.50	20.50	.20
1987	First Quarter	11.63	9.38	.05
	Second Quarter	13.63	9.50	.05
	Third Quarter	[2]13.88	9.88	.05
	Fourth Quarter	17.25	10.38	.05
1988	First Quarter	20.00	16.38	.05
	Second Quarter	23.88	18.88	.05
	Third Quarter	28.00	14.50	.05
	Fourth Quarter	19.75	14.88	.05

[1] Effective February 28, 1986, Univar distributed the stock of its subsidiary, VWR Corporation, to the then Univar shareholders in a tax-free spinoff. Accordingly, market prices and dividends paid per share may not be comparable for periods after February 28, 1986.

[2] Effective November 1, 1986, McKesson Chemical Co. (MCC) was acquired in a transaction accounted for as a purchase. Accordingly, the operations of Univar include the results of MCC from that day forward and market prices may not be comparable with prior periods.



Value-added services like custom blending of chemicals and lab analysis for quality control are critical needs of many of our customers. Our on-site laboratories ensure that the analysis is conducted quickly and professionally.

Terrance Irvine is in charge of VW&R Inc.'s Southwestern Region, which covers an eight-state area and accounted for 17% of U.S. sales in the year just ended.

Earnings by Quarter

	Sales	*Net Earnings*	*Net Earnings Per Share*
First Quarter	$275,146,000	$2,769,000	32¢
Second Quarter	$285,173,000	$3,611,000	41¢
Third Quarter	$284,307,000	$2,254,000	26¢
Fourth Quarter	$272,683,000	$2,529,000	29¢

Univar's sales volume has historically been weakest during the December-February quarter. The fourth quarter, in addition to weather-related slowdowns, bears the dual burden of having fewer business days of operation and the greatest expense variations as we revise accruals set earlier in the year to their appropriate year-end levels.

Year-end adjustments of estimates and accruals for such items as LIFO inventory valuation, self-insurance programs and bad debt reserves, though monitored on a quarterly basis throughout the year, are subject to unanticipated changes and can require significant adjustments to accruals during the final quarterly period. This year the effect of these year-end adjustments was positive, despite the accrual of an additional $3 million in environmental reserves at fiscal year-end.

Outlook

Originally we estimated that the restructuring necessary to capitalize on the benefits of the McKesson Chemical Co. acquisition would take two to three years. At fiscal year-end, 16 months had passed since the acquisition and we were well ahead of schedule.

We have completed a major organizational restructuring, consolidated physical facilities in 26 cities across the United States, introduced a new interim computer system, begun work on developing a far more powerful future information processing network, and introduced a new eagerly awaited program of chemical waste management services. We take great pride in our success in combining two diverse corporate cultures to create a new one that we think encompasses the best qualities of each.

Recognizing that these achievements mean new opportunities for them and a more solid position as industry leader for their Company, our employees are proud and enthusiastic, and show it in the exceptional level of service they provide our customers.

Our increased capabilities in responding to the regulatory and environmental requirements are very evident, and our ability to service national as well as local customers also has increased significantly. The Company's growing importance to our suppliers has been evidenced by the increased technical and field support they are providing and this in turn has helped us improve our service to customers.

Univar is entering a period of great opportunity and challenge.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended February 29/28

(Thousands of dollars, except per share data)	1988	1987	1986
Sales	$1,117,309	$693,279	$538,388
Cost of Sales	950,464	589,904	458,297
Gross Margin	166,845	103,375	80,091
Operating Expenses	137,589	96,733	68,745
Income from Operations	29,256	6,642	11,346
Other Income (Expense):			
Interest on borrowed capital (Note 1)	(10,315)	(6,198)	(6,019)
Gain (loss) on sale of assets	526	(147)	65
Other—net	1,969	1,198	1,187
Income Before Provision for Taxes on Income	21,436	1,495	6,579
Provision for Taxes on Income (Notes 1 & 8)	10,273	783	2,320
Income from Continuing Operations	11,163	712	4,259
Income from Companies Distributed,			
net of income taxes of $5,973 (Note 12)	—	—	6,391
Net Income	$ 11,163	$ 712	$ 10,650
Net Income per Share (Note 1):			
From continuing operations	$ 1.27	$ .11	$ .76
From companies distributed	—	—	1.14
Total	$ 1.27	$ .11	$ 1.90

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended February 29/28

(Thousands of dollars)	*1988*	*1987*	*1986*
OPERATING ACTIVITIES:			
Net income from continuing operations	$11,163	$ 712	$ 4,259
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,693	8,184	4,844
Deferred income taxes	(2,743)	(2,202)	1,689
Equity in net earnings of unconsolidated subsidiary	304	79	(17)
Deferred liabilities and credits	2,752	3,665	201
Other	111	83	181
Change in assets and liabilities:			
Accounts receivable	(13,957)	(43,252)	3,723
Inventories	(20,636)	(38,817)	(1,490)
Other current assets—net	921	(4,961)	6,243
Accounts payable	22,152	54,906	(1,088)
Other current liabilities—net	12,305	4,314	(5,633)
Net cash provided (used) by operating activities	26,065	(17,289)	12,912
INVESTING ACTIVITIES:			
Proceeds from investments	1,188	5,668	5,149
Payment for purchase of investments	(3,465)	(549)	(8,501)
Additions to property, plant and equipment	(17,745)	(10,953)	(10,094)
Acquisition of business	—	(60,103)	—
Net change in other assets	(189)	383	(303)
Net cash used by investing activities	(20,211)	(65,554)	(13,749)
FINANCING ACTIVITIES:			
Short-term borrowing—net	(3,645)	784	(3,813)
Exercise of stock options	64	—	—
Long-term debt incurred	15,397	60,049	8,140
Reduction in long-term debt	(2,823)	(22,404)	(5,279)
Payment of dividends	(1,737)	(1,434)	(1,792)
Proceeds from issuance of common stock	—	39,880	—
Purchase of treasury stock	—	(640)	(190)
Net cash provided (used) by financing activities	7,256	76,235	(2,934)
Net Increase (Decrease) in Cash	13,110	(6,608)	(3,771)
Cash (bank checks outstanding less cash in bank) at beginning of year	(6,469)	139	3,910
Cash (Bank Checks Outstanding Less Cash in Bank) at End of Year	$ 6,641	$(6,469)	$ 139
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest (net of capitalized interest)	$10,323	$ 5,976	$ 5,750
Income taxes	8,019	1,985	10,747
Supplemental schedule of noncash investing and financing activities:			
Distribution of VWR Corporation	$ —	$ —	$49,818
Net income of company distributed	—	—	6,391
Reduction of shareholders' equity	$ —	$ —	$56,209

The accompanying notes are an integral part of these statements.

BR000563

CONSOLIDATED BALANCE SHEETS

February 29/28

(Thousands of dollars)	*1988*	*1987*
ASSETS		
Current Assets:		
Cash	$ 6,641	$ —
20 Receivables—		
Trade accounts (less allowance for losses of $1,800 in 1988 and $1,600 in 1987)	117,535	103,578
Other	11,035	11,511
Inventories (Note 2)	98,635	77,999
Prepaid expenses and other assets	818	1,263
Total current assets	234,664	194,351
Funds Held for Construction (Note 3)	536	1,411
Investments and Long-Term Receivables	15,874	13,026
Property, Plant and Equipment (Notes 1, 3 & 10):		
Land	14,966	14,146
Buildings	50,824	52,528
Equipment	108,377	83,173
Leased property under capital leases	7,493	7,493
Construction in progress	3,299	8,091
	184,959	165,431
Less accumulated depreciation	42,706	28,815
Net property, plant and equipment	142,253	136,616
Other Assets	1,340	1,151
	$394,667	$346,555

The accompanying notes are an integral part of these statements.

	1988	1987
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank checks outstanding less cash in bank	$ —	$ 6,469
Notes payable (Note 9)	2,795	6,440
Current portion of long-term debt	2,787	2,418
Accounts payable	134,980	112,828
Accrued payroll and other liabilities	26,931	14,995
Total current liabilities	167,493	143,150
Long-Term Debt, less current portion (Notes 3, 9, 10 & 12)	115,350	102,776
Deferred Items:		
Deferred taxes on income (Notes 1 & 8)	(886)	1,857
Other deferred liabilities and credits	16,456	13,704
Total deferred items	15,570	15,561
Commitments and Contingencies (Notes 10 & 12)		
Shareholders' Equity (Notes 1 & 5):		
Preferred stock, no par value, authorized 750,000 shares	—	—
Common stock, par value $.33-1/3 per share—		
Authorized—14,000,000 shares		
Issued—10,028,074 shares in 1988 and 10,021,079 shares in 1987	3,343	3,340
Additional paid-in capital	41,470	41,378
Retained earnings	62,454	53,028
Cumulative translation adjustment	(224)	(1,808)
Treasury stock, at cost, 1,340,518 shares in 1988 and 1,342,190 in 1987	(10,135)	(10,142)
Deferred stock compensation expense	(654)	(728)
Total shareholders' equity	96,254	85,068
	$394,667	$346,555

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Three Years Ended February 29, 1988

(Thousands of dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock	Deferred Stock Compensation Expense	Total Shareholders' Equity
Balance, February 28, 1985	$2,298	$ 1,729	$114,506	$ (2,625)	$(20,027)	$ —	$ 95,881
Net income	—	—	10,650	—	—	—	10,650
Distribution of VWR Corporation to shareholders	—	—	(56,209)	—	—	—	(56,209)
Cost allocation of treasury stock resulting from distribution of VWR Corporation	—	—	(10,715)	—	10,715	—	—
Purchase of 10,500 shares treasury stock	—	—	—	—	(190)	—	(190)
Cash dividends at $.80 per share	—	—	(4,482)	—	—	—	(4,482)
Foreign currency translation adjustment	—	—	—	(650)	—	—	(650)
Balance, February 28, 1986	2,298	1,729	53,750	(3,275)	(9,502)	—	45,000
Net income	—	—	712	—	—	—	712
Acquisition of McKesson Chemical Co. (3,053,000 shares)	1,018	38,862	—	—	—	—	39,880
Purchase of 50,100 shares treasury stock	—	—	—	—	(640)	—	(640)
Cash dividends at $.20 per share	—	—	(1,434)	—	—	—	(1,434)
Stock awards (74,259 shares)	24	787	—	—	—	—	811
Foreign currency translation adjustment	—	—	—	1,467	—	—	1,467
Deferred stock compensation expense	—	—	—	—	—	(728)	(728)
Balance, February 28, 1987	3,340	41,378	53,028	(1,808)	(10,142)	(728)	85,068
Net income	—	—	11,163	—	—	—	11,163
Exercise of stock options	2	55	—	—	7	—	64
Cash dividends at $.20 per share	—	—	(1,737)	—	—	—	(1,737)
Stock awards (1,900 shares)	1	37	—	—	—	(38)	—
Foreign currency translation adjustment	—	—	—	1,584	—	—	1,584
Deferred stock compensation expense	—	—	—	—	—	112	112
Balance, February 29, 1988	$3,343	$41,470	$ 62,454	$ (224)	$(10,135)	$ (654)	$ 96,254

The accompanying notes are an integral part of these statements.

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Note 1 Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all significant subsidiaries. Intercompany balances and transactions have been eliminated.

Translation of Canadian Currency

The accounts of the Canadian subsidiary are translated in accordance with Statement of Financial Accounting Standards No. 52, which requires that foreign currency assets and liabilities be translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment in shareholders' equity. Realized gains and losses from foreign currency transactions are included in net income for the period.

Property, Plant & Equipment

Expenditures for property, plant and equipment and for renewals and betterments which extend the originally estimated economic lives of assets are capitalized. Expenditures for maintenance, repairs and other renewals are charged to expense. The Corporation's property accounts are maintained, for the most part, in multiple asset accounts. In the case of normal dispositions, the cost of property sold or retired is removed from the property account and charged to accumulated depreciation and no gain or loss is recorded. In the case of significant dispositions, gain or loss is recognized.

For financial reporting purposes, depreciation has been provided using the straight-line method over the estimated useful lives of the related assets. For income tax purposes, depreciation on certain assets is computed using accelerated methods.

In accordance with Statements of Financial Accounting Standards No. 34 and 62, interest costs have been capitalized on major construction projects while in progress. Interest costs of none, $75,000, and $75,000 for fiscal years 1988, 1987 and 1986, respectively, have been capitalized in the cost of new facilities.

Self-Insurance Reserves

The Corporation retains certain exposures in its insurance plan under various deductible or self-insured programs.

Reserves for claims made are recorded at estimated costs as current liabilities. Reserves for estimated claims incurred but not yet reported are recorded as deferred credits.

Income Taxes

Income taxes are provided for all items included in the consolidated statements of income regardless of the period when such items will be deductible for tax purposes. The principal timing differences between financial and tax reporting arise from depreciation, self-insurance reserves, and environmental reserves. Investment tax credits have been recognized as a tax reduction in the year in which they became available.

BR000567

Accumulated undistributed earnings after taxes for the Canadian subsidiary amounted to approximately $29,502,000 at February 29, 1988. No provision for Canadian withholding or United States Federal income taxes is necessary, as it is management's intention that dividends will be paid only under circumstances which will not generate additional net tax cost.

Earnings Per Share

Earnings per common share are based on the average number of shares outstanding during each year (8,764,343 for 1988, 6,686,885 for 1987, and 5,614,791 for 1986). There is no material dilution due to outstanding stock options.

Financial Statement Reclassifications and Presentation

For 1988 the Corporation has elected to adopt a year earlier than required the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." In prior years the Corporation had presented Statements of Changes in Financial Position. Prior years' statements have been conformed to the current year's presentation.

Note 2. Inventories

Inventories consist primarily of finished goods. The method of valuation of inventories at balance sheet dates was as follows:

(Thousands of dollars)	*1988*	*1987*
At Cost: Last-in, first-out method	$82,661	$66,105
At Lower of Cost or Market: Average cost method	15,974	11,894
	$98,635	$77,999

LIFO reserves at February 29, 1988 and February 28, 1987, were $14,465,000 and $12,700,000 respectively.

Note 3. Long-Term Debt and Revolving Credit Agreement

The long-term debt of the Corporation and its subsidiaries as of February 29/28 was as follows:

(Thousands of dollars)	*1988*	*1987*
Senior Debt:		
Industrial revenue bonds, 72 to 80% of bank's prime, secured by certain real property, payable in installments to 1994	$ 9,450	$ 10,500
Industrial revenue bonds, 10.139 to 11.153%, secured by certain real property, payable in installments to 1993	3,600	4,050
Industrial revenue bonds 6.15 to 7.25%, secured by certain real property, payable in installments to 1998	2,625	2,745
Revolving credit agreement	60,000	45,000
Reclassified short-term debt (Note 9)	25,000	25,000
Other	747	569
Subordinated Debt:		
9.75% subordinated sinking fund debentures, payable in installments to 1999, net of unamortized debenture discount	2,342	2,372
Subordinated note, at prime rate, secured by certain real property, payable in installments of $200,000 per year with balance due in 1991	7,940	8,140
Capitalized Lease Obligations:		
5.093 to 11.750%, secured by certain real property, payable in monthly installments to 2017	6,433	6,818
	118,137	105,194
Less current portion	2,787	2,418
Net long-term debt	$115,350	$102,776

Maturities of long-term debt for the fiscal years ending 1990-1993 are as follows:

1990	$2,306
1991	9,700
1992	2,015
1993	2,025

In connection with certain industrial revenue bonds, funds totalling $536,000 at February 29, 1988 are invested through a trustee and restricted for use in specific construction projects.

Through two revolving credit agreements with a group of banks, the Corporation and its subsidiary Van Waters & Rogers Inc., may borrow up to $110,000,000 at prime rate, certificate of deposit rate plus 1-1/4% or LIBOR plus 1-1/4%, at the Corporation's option. The commitment with Univar for $35,000,000 expires on December 31, 1993. The commitment for $75,000,000 with Van Waters & Rogers Inc. reduces by $15,000,000 on December 31, 1988, $10,000,000 per year for the next four years and expires on December 31, 1993. The agreements also require collected balances of 5% on outstanding balances, or the payment of fees in lieu thereof, and fees of 3/8% on unused commitments.

The long-term debt instruments include provisions specifying minimum current ratio, tangible net worth, debt/tangible net worth ratios and net tangible assets/debt ratios. Under the most restrictive of the financial ratios, the Corporation's tangible net worth cannot be less than $77,000,000.

VWR Corporation, in connection with its spin-off on February 28, 1986, continues to guarantee approximately $7,940,000 of the Corporation's subordinated long-term debt.

Note 4. Quarterly Financial Data (Unaudited)

(Thousands of dollars, except per share data)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1987/1988				
Sales	$275,146	$285,173	$284,307	$272,688
Gross Margin	41,799	44,515	42,415	38,116
Net income	2,769	3,611	2,254	2,529
Net income per share	.32	.41	.26	.29
1986/1987				
Sales	$133,495	$134,583	$173,464	$251,737
Gross margin	19,129	19,346	25,808	39,092
Net income (loss)	382	319	1,040	(1,029)
Net income (loss) per share	.07	.06	.16	(.12)

Note 5. Stock Options and Restricted Stock Grants

The Corporation's Stock Option Plan adopted in 1982 provides for the granting of options to officers or key employees to purchase Common Stock. For Incentive Stock Options the option price cannot be less than the fair market value of the Common Stock at the date of grant. Non-qualified stock options may be granted at less than the fair market value of the Common Stock. Options become exercisable at the rate of 20% per year beginning five years after the date of grant, and expire 10 years after the date of grant. The maximum number of shares available for issuance under the Plan is 122,464.

The Corporation's 1986 Long-Term Incentive Stock Plan provides for the granting to officers and key employees of Non-Qualified Stock Options, Incentive Stock Options, and Restricted Stock Awards. The terms of grant for non-qualified and incentive options are similar to the 1982 Plan; however, options may be exercisable as determined by the committee of the Board which administers the Plan. Restricted Stock Awards (RSAs) may be granted or sold to key employees for not less than the aggregate par value of the shares covered by the award. RSAs may not be sold or otherwise disposed of during the established restriction period. The maximum number of shares available for issuance under the Plan is 350,000.

During the year the Corporation granted Restricted Stock Awards (RSAs) of 1,900 shares of stock to certain key employees pursuant to the 1986 Long-Term Incentive Stock Plan. The market prices at the dates of grant were $19.94 per share. As of the date of grant the fair market value of these stock awards totalled approximately $38,000 which amount has been deferred and, along with the remaining deferred portion of RSAs issued in prior years, is being amortized to operations over a seven-year period. At February 29, 1988 unamortized deferred stock compensation expense of approximately $654,000 is classified as such in the equity section of the Balance Sheet.

The committee of the Board of Directors which administers the Plans may, at its discretion, determine the number of shares, the purchase price, applicable vesting periods, and any other terms of each option or award. Options and awards include provision for acceleration of such applicable vesting periods in the event of certain transactions which may result in a change of control of the Corporation.

Under the 1982 and 1986 Plans, a total of 6,092 and 215,346 shares were available for grant, respectively, at February 29, 1988.

The following table summarizes activity in the Plans:

	Number of Shares			
	Under Option	*Restricted Stock Awards*	*Available for Option or Award*	*Price Range*
Outstanding, March 1, 1986	116,372	—	6,092	\$7.62 - \$10.09
Granted	56,595	74,259	(130,854)	10.56 - 11.81
Reserved Under 1986 Plan	—	—	350,000	—
Outstanding, February 28, 1987	172,967	74,259	225,238	7.62 - 11.81
Granted	1,900	1,900	(3,800)	19.94
Exercised	(7,267)	—	—	10.09
Outstanding, February 29, 1988	167,600	76,159	221,438	7.62 - 19.94
Exercisable at February 29, 1988	19,949			7.62 - 10.09

Note 6. Pension Plans

The Corporation and its subsidiaries have pension plans covering substantially all employees, excluding those employees covered by unions which operate plans independent of the Corporation or its subsidiaries. Pension benefits are based on years of credited service and highest five-year average compensation. Contributions to the plan are based on the Projected Unit Credit actuarial funding method and are limited to amounts that are currently deductible for tax purposes. Contributions are intended to provide for benefits attributed to service to date and benefits expected to be earned during the plan year based on projected final average compensation.

Effective March 1, 1987, the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," were adopted, with no significant impact on fiscal year 1988 pension expense. Pension expense was \$972,000, \$270,000, and none in fiscal years 1988, 1987, and 1986, respectively.

The following table sets forth the plan's funded status and amounts recognized in the Corporation's Consolidated Balance Sheet at February 29:

(Thousands of dollars)	*1988*
Actuarial present value of benefit obligations:	
Vested	\$21,567
Nonvested	665
Accumulated benefit obligation	\$22,232
Projected benefit obligation (PBO)	\$29,024
Plan assets at fair value	(25,622)
PBO in excess of plan assets	3,402
Unrecognized net transition obligation	(455)
Unrecognized net loss	(1,871)
Accrued pension cost, included in accrued liabilities in the Company's Consolidated Balance Sheet	\$1,076

Net pension expense for 1988 included the following components:

(Thousands of dollars)	*1988*
Service cost (benefits earned during the fiscal year)	$ 962
Interest cost on projected benefit obligation	2,380
Actual return on plan assets	(571)
Net amortization and deferral	(1,965)
Net pension expense	$ 806

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation as of March 1, 1988 were 10% and 6%, respectively. The expected long-term rate of return on plan assets was 10%.

The corresponding assumptions used in the determination of the net transition obligation at March 1, 1987 and the 1988 pension expense were a 9% discount rate, a 4% rate of increase in future compensation levels, and a 10% expected long-term rate of return on plan assets.

As determined under prior year accounting policies, the actuarial present value of accumulated plan benefits as of January 1, 1987 was $20,413,000, including $19,763,000 for vested benefits. The amounts reflected an assumed rate of return of 9%. Net assets available for plan benefits as of January 1, 1987 were $24,928,000.

Certain employees are covered under union-sponsored collectively bargained plans. Expenses for these plans were $496,000 in 1988, $429,000 in 1987, and $410,000 in 1986, as determined in accordance with negotiated labor contracts.

Provisions of the Multi-Employer Pension Amendments Act of 1980 require participating employers to assume a proportionate share of a multi-employer plans' unfunded vested benefits in the event of withdrawal from or termination of such plan. Information concerning the Corporation's share of unfunded vested benefits is not available from plan administrators. Provisions of the Act may have the effect of increasing the level of contributions in future years.

Employees of the Company's foreign subsidiary are covered by a pension plan. Commencing in 1990, the Company will be required to adopt certain accounting changes regarding its foreign plan under FASB Statement No. 87. However, the Company has not determined the impact, if any, of such changes. Plan assets exceed the actuarially computed vested benefits of the plan at December 31, 1987 and 1986. Pension expense under the plan was approximately $166,000 in 1988 and none in 1987 and 1986.

The preceding information on the status of the Corporation's domestic defined benefit plan has been provided pursuant to the requirements of Statement of Financial Accounting Standards No. 87. In management's opinion, certain supplemental information may be of more practical value to the readers of these statements. Accordingly, the table below presents the funding status of the Corporation's domestic defined benefit plan on the assumption that the plan had been terminated on December 31, 1987 (the most recent valuation date) and that annuities had been purchased at that date to provide all of the benefits, vested and nonvested, earned to the termination date. The market value of assets, which consist primarily of cash equivalents and equity securities, is as reported by the trustee bank serving the pension plan. The cost to purchase annuities to discharge the plan's liabilities as of the presumed termination date has been estimated by the actuaries for the plan, based upon benefits in effect and on annuity prices experienced in the market on or about December 31, 1987.

(Thousands of dollars)	
Market value of assets	$25,622
Estimated cost of annuities	$22,232

Note 7 Other Retirement Benefits

The Corporation provides certain medical benefits to pensioners and survivors. Substantially all of the Corporation's employees may become eligible for those benefits if they reach retirement age while still working for the Corporation. The cost of retiree and survivor medical benefits is recognized as expense as claims are paid. The program went into effect on October 1, 1986 and costs under the program were not significant for 1988 or 1987.

Note 8 Income Taxes

Income before provision for taxes on income for the years ended February 29/28 comprised the following:

(Thousands of dollars)	*1988*	*1987*	*1986*
Domestic	$14,836	$(2,761)	$2,388
Foreign	6,600	4,256	4,191
	$21,436	$ 1,495	$6,579

Provision for taxes on income consisted of the following:

(Thousands of dollars)	*Total*	*Federal*	*State*	*Foreign*
Year Ended February 29, 1988:				
Current	$12,306	$6,929	$2,035	$3,342
Deferred	(2,033)	(1,917)	(44)	(72)
Total provision	$10,273	$5,012	$1,991	$3,270
Year Ended February 28, 1987:				
Current	$ 3,405	$1,235	$ 198	$1,972
Deferred	(2,622)	(2,229)	(415)	22
Total provision	$ 783	$ (994)	$ (217)	$1,994
Year Ended February 28, 1986:				
Current	$ 2,220	$ 508	$ (58)	$1,770
Deferred	100	62	3	35
Total provision	$ 2,320	$ 570	$ (55)	$1,805

The sources of timing differences resulting in deferred income taxes and the tax effect of each for the years ended February 29/28 were as follows:

(Thousands of dollars)	*1988*	*1987*	*1986*
Depreciation	$ 1,843	$ 996	$956
Self-insurance reserves	(826)	461	(647)
Environmental reserves	(2,361)	(1,691)	—
Acquisition basis allocations—net	—	(2,406)	—
Other—net	(689)	18	(209)
Total deferred provision	$(2,033)	$(2,622)	$100

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The accompanying financial statements reflect effective tax rates of 47.9% in 1988, 52.4% in 1987 and 35.3% in 1986. An analysis of the differences between these rates and the Federal statutory rate is set forth below:

(Thousands of dollars)	*1988* Amount	*1988* Percent	*1987* Amount	*1987* Percent	*1986* Amount	*1986* Percent
Federal tax at statutory rate	$ 8,146	38.0%	$ 687	46.0%	$3,026	46.0%
State taxes, net of Federal tax benefit	1,234	5.8	(117)	(7.8)	(30)	(.4)
Rate differential for foreign income	762	3.6	36	2.4	(123)	(1.9)
Investment tax credit—net	—	—	4	.2	(558)	(8.5)
Other—net	131	0.5	173	11.6	5	.1
	$10,273	47.9%	$ 783	52.4%	$2,320	35.3%

Federal income tax returns of the Corporation have been audited by the Internal Revenue Service and settled through February 28, 1981.

In December, 1987, the FASB issued Statement No. 96, "Accounting for Income Taxes" ("Statement No. 96"), adopting the liability method of accounting for deferred income taxes. Statement No. 96 must be adopted by the Corporation no later than the fiscal year ending February 28, 1990. Under the provisions of Statement No. 96, the Corporation may recognize the impacts of adoption by recording the prior years' cumulative effect of the new rules entirely in the year of adoption or by restating all financial statements presented. While the Corporation currently does not expect that adoption of Statement No. 96 will significantly impact the amount of earnings reinvested in the business, deferred taxes will have to be adjusted to reflect federal income tax rates in effect at the time of adoption and to give effect to temporary differences for which no deferred taxes had been previously provided. During the coming year the Corporation will conduct an implementation study to determine the ultimate effect of Statement No. 96 on its financial statements and the timing and method of adoption.

Note 9. Notes Payable

As of February 29, 1988, the Corporation had regular domestic and foreign short-term lines of credit of $25,000,000 with loans against these bank lines of $2,795,000. In addition, the Corporation had $25,000,000 of commercial paper outstanding. The approximate average aggregate short-term borrowings and weighted average short-term interest costs were $33,297,000 and 7.7% in 1988 and $31,450,000 and 6.6% in 1987. The maximum amount of short-term borrowings during the year was $46,500,000 in 1988 and $40,200,000 in 1987. Due to the spin-off of VWR Corporation on February 28, 1986, the average aggregate short-term borrowings, interest costs and maximum borrowings during 1986 are not available for the restated continuing operations of Univar Corporation.

At February 29, 1988, $25,000,000 of commercial paper borrowing was reclassified to long-term debt, based upon available refinancing through the revolving credit agreement.

To compensate its banks for the availability of short-term and long-term credit, the Corporation has informal agreements to maintain average cash balances varying up to 5% of the available credit, or to pay fees in lieu thereof.

Note 10. Leases

Rental expense for 1988, 1987 and 1986 was approximately $5,554,000, $5,167,000, and $4,866,000, respectively. The Corporation and its subsidiaries occupy some leased premises and lease some other equipment. Leases that qualify as capital leases, as defined in Statement of Financial Accounting Standards No. 13, have been capitalized. The amount of such capitalized leases included in property, plant and equipment, and the related accumulated amortization was $7,493,000 and $1,188,000 in 1988 and $7,493,000 and $877,000 in 1987. Lease amortization is included in depreciation expense.

Future minimum lease payments as of February 29, 1988 under capital leases and non-cancellable operating leases, having initial lease terms of more than one year, are as follows:

Years Ending February 29/28 (Thousands of dollars)	Capital Leases	Operating Leases
1989	$ 901	$ 3,332
1990	859	2,789
1991	855	2,018
1992	855	1,643
1993	841	1,417
1994-1998	3,743	1,963
1999-2003	3,121	—
2004-2008	466	—
Thereafter	484	—
Total minimum payments	12,125	$13,162
Less amounts representing interest	5,692	
Present value of net minimum lease payments	$ 6,433	

The present value of the net capital lease payments is presented in the February 29, 1988 balance sheet as long-term debt.

Note 11. Acquisition

On August 1, 1987 the Corporation's Canadian subsidiary acquired all of the outstanding shares of King Agri-Serve Inc., an agricultural chemical distributor with operations in Canada, for approximately $375,000 in cash and a $375,000 note, payable over three years. Certain additional consideration to King Agri-Serve Inc. shareholders may be required depending upon the future performance of those operations. In the opinion of management, the amount of such additional consideration, if any, would not be significant to the Corporation's financial condition. The acquisition was accounted for as a purchase and resulted in acquired goodwill of approximately $750,000. King Agri-Serve Inc. was immediately merged into the Canadian subsidiary and operates as its wholly-owned subsidiary. If King Agri-Serve had been acquired at the beginning of the fiscal year, the effect on per share results of operations for the year ended February 29, 1988, would not have been significant.

Effective November 1, 1986, Univar Corporation acquired substantially all of the assets, subject to certain liabilities, of McKesson Chemical Co. (MCC), one of the leading national distributors of industrial chemicals, for approximately $72,000,000. Funding was provided through the issuance of 3,053,000 shares of Univar common stock and $1,000,000 in cash to Pakhoed Holding N.V. of Rotterdam in exchange for all of the outstanding stock of a Pakhoed subsidiary, capitalized by Pakhoed with $26,000,000 in cash and holding an asset purchase contract for the assets of McKesson Chemical Co.

This acquisition was accounted for by the purchase method. McKesson Chemical Co.'s net assets are included in the accompanying consolidated balance sheet at values representing an allocation of the purchase cost to such net assets, which approximated but did not exceed market valuation. Operating results of McKesson Chemical Co. from November 1, 1986 have been included in the consolidated statements of income for 1987 and 1988.

The following table presents, on an unaudited pro forma basis, the combined results of operations of the Corporation as though the above acquisition were made on March 1, 1985:

(Thousands of dollars, except per share data)	*1987*	*1986*
Sales	$1,093,680	$1,147,791
Income from operations	11,370	11,188
Net income	2,128	3,317
Net income per common share	0.24	0.36

The pro forma operating results include MCC's results of operations for the indicated years, less increased depreciation and amortization on property, plant and equipment and other assets, increased interest expense on acquisition debt and related income tax effects.

The pro forma information does not purport to be indicative of the results that actually would have been obtained if the combined operations had been conducted during the periods presented and is not intended to be a projection of future results.

The final purchase price of assets purchased, less liabilities assumed, was to be based upon an audited balance sheet of McKesson Chemical Co. as of October 31, 1986. There was an unresolved dispute between McKesson Corporation and Univar on container accounting. Net book value of containers in the October 31, 1986 balance sheet was approximately $10,000,000 and any reduction in that amount would result in a reduced purchase price. In accordance with the requirements of the Purchase and Sale Agreement, the dispute was submitted to the American Arbitration Association for settlement.

During May 1988 the Corporation received a favorable determination in the arbitration proceedings. The award, in the amount of approximately $8,600,000, includes a $4,614,000 receivable previously recorded by the Corporation. The balance, of approximately $4,000,000, would reduce the purchase price of the acquired assets. In addition, the award provides for the recovery of attorneys fees, arbitration costs, and interest on a portion of the award.

The jurisdiction of the arbitrator has been challenged by McKesson Corporation, which has appealed a U.S. District Court decision directing the arbitration.

Note 12. Litigation and Contingencies

The Corporation is involved in various contractual, warranty and public liability cases and claims which are considered normal to the Corporation's business. The liabilities for injuries to persons or property are frequently covered by liability insurance and the deductible portion of the liabilities, where applicable, have been accrued in these financial statements.

A former division of Univar and a present subsidiary and a former subsidiary have been named as "potentially responsible parties" relative to cleanup costs associated with 23 separate waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater pollution. On many of these sites, the Corporation could technically be liable for the total costs of cleanup under the principle of joint and several liability. However, with respect to each site numerous other companies are similarly identified and as a practical matter most of them will share in the cleanup costs. In all of these cases, the Corporation is a "small generator," and the Corporation's volume of waste delivered to the disposal sites represents less than 1% of the total wastes at each site.

Ten sites owned by the Corporation and one leased site are the subject of separate government proceedings or investigations concerning alleged soil and/or groundwater contamination.

While the results of the proceedings and claims against the Corporation are not presently determinable, based upon the information presently available, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations.

Liability insurance which would respond to claims arising out of pollution is not now practically available. Accordingly, other than a large deductible policy covering liabilities from sudden and accidental pollution incidents up to $50,000,000 per incident, the Corporation does not now have environmental impairment liability insurance but has provided reserves to cover estimated remedial costs.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws will continue to impact the Corporation's operations. For the years 1988 and 1987, the Corporation spent approximately $1,600,000 and $1,300,000, respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations. At February 1988 and 1987 the Corporation had reserves for environmental matters of approximately $11,300,000 and $6,100,000, respectively.

A note in the principal amount of $10,100,000, plus accrued interest, related to a July 1984 sale by the Corporation of a former facility went into default in May 1986. The Corporation had previously sold the note with recourse. Upon default the Corporation collected $3,750,000 by calling upon a letter of credit provided as security by the purchasers. In December 1986, the Corporation foreclosed on its deed of trust and repurchased the property at the foreclosure sale that it had originally sold in July 1984.

The purchasers and the bank which issued the letter of credit then made various claims for damages or recision, or for preferential rights to the proceeds of the December 1986 foreclosure sale of the property.

In October 1987, pursuant to a settlement agreement and mutual releases signed by all parties involved, the Corporation settled all claims relating to this matter by a payment of $2,750,000 which was accounted for as an increase in the basis allocation of the related property.

Effective February 28, 1986, the Corporation distributed all of the outstanding stock of VWR Corporation to its shareholders. The Corporation remains contingently liable for approximately $1,600,000 of VWR Corporation debt which carries Univar's guarantee and is secured by VWR Corporation property, plant and equipment.

Effective March 1, 1984, the Corporation distributed all outstanding stock of PENWEST, LTD. to its shareholders. The Corporation remains contingently liable for approximately $7,000,000 of PENWEST debt, which carries Univar's guarantee and is secured by PENWEST property, plant and equipment.

Note 13 Industry Segment Information

Univar Corporation operates in only one industry segment (chemical distribution) in both the United States and Canada. Foreign operations in Canada, included in the consolidated statements, had sales of $150,646,000, $123,924,000, and $118,388,000; operating income of $6,364,000, $4,258,000, and $4,710,000; identifiable assets of $57,222,000, $43,044,000, and $39,937,000; depreciation and amortization expense of $1,000,000, $981,000, and $1,025,000; and capital expenditures of $699,000, $503,000, and $1,394,000 for fiscal years 1988, 1987, and 1986, respectively.

To the Shareholders of Univar Corporation:

We have examined the Consolidated Balance Sheets of Univar Corporation (a Delaware corporation) and subsidiaries as of February 29, 1988 and February 28, 1987, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended February 29, 1988. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Canadian subsidiary, which statements reflect total assets and revenues constituting approximately 15% and 14% respectively, of the related consolidated totals. These statements were examined by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the Consolidated Financial Statements referred to above present fairly the financial position of Univar Corporation and subsidiaries as of February 29, 1988 and February 28, 1987 and the results of their operations and their cash flows for each of the three years in the period ended February 29, 1988, in conformity with generally accepted accounting principles applied on a consistent basis.

Seattle, Washington, Arthur Andersen & Co.
May 31, 1988.

BR000578

FIVE-YEAR FINANCIAL SUMMARY

For the Years Ended February 29/28

(Thousands of dollars, except per share data)	*1988*	*1987*[1]	*1986*	*1985*	*1984*
Sales	$1,117,309	$693,279	$538,388	$546,905	$501,642
Cost of sales	950,464	589,904	458,297	470,223	429,040
Gross margin	166,845	103,375	80,091	76,682	72,602
Operating expenses	137,589	96,733	68,745	67,553	59,550
Income from operations	29,256	6,642	11,346	9,129	13,052
Interest	(10,315)	(6,198)	(6,019)	(8,241)	(6,885)
Other income—net	2,495	1,051	1,252	14,394	780
Income before provision for taxes	21,436	1,495	6,579	15,282	6,947
Provision for taxes	10,273	783	2,320	5,247	2,626
Income from continuing operations	11,163	712	4,259	10,035	4,321
Income from companies distributed[2]	—	—	6,391	5,775	4,875
Net income	$ 11,163	$ 712	$ 10,650	$ 15,810	$ 9,196
Average common shares outstanding	8,764	6,687	5,615	5,544	5,544
Net income per share from continuing operations	$ 1.27	$ 0.11	$ 0.76	$ 1.81	$ 0.78
Net income per share from companies distributed	—	—	1.14	1.04	0.88
Net income per share	$ 1.27	$ 0.11	$ 1.90	$ 2.85	$ 1.66
Continuing operations only:					
Cash dividends per share	$ 0.20	$ 0.20	$ 0.32	$ 0.43	$ 0.46
Total assets	394,667	346,555	186,976	190,952	168,433
Total debt	120,932	111,634	65,819	68,895	61,590
Long-term debt	115,350	102,776	59,401	56,540	48,387
Working capital	67,171	51,201	30,783	32,494	24,025
Shareholders' equity	96,254	85,068	45,000	43,373	36,379
Book value per share	11.08	9.80	8.03	7.73	6.57
Return on beginning equity	13.1%	1.6%	9.8%	27.6%	11.9%

[1] Reflects acquisition of McKesson Chemical Co. effective November 1, 1986 (Note 11).

[2] See Note 12.

BOARD OF DIRECTORS

James H. Wiborg (1964) [3,4]
Chairman and Chief Strategist
Univar Corporation

James W. Bernard (1986) [2,3,6]
President and Chief Executive Officer
Univar Corporation

H. P. H. Crijns (1986) [3]
Chairman, Managing Board
Pakhoed Holding N.V.
Oil and chemical storage and transportation

Richard E. Engebrecht (1984) [3,4]
President and Chief Executive Officer
VWR Corporation
Industrial distribution

M. M. Harris (1960) [1,5,6]
Retired Chairman
Univar Corporation

Mark W. Hooper (1986) [6]
President
Pakhoed Development Inc.
Oil and chemical storage and transportation

Curtis P. Lindley (1984) [1,5,6]
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PENWEST LTD.
Grain processing

Robert S. Rogers (1970) [2,5]
President
Lands-West, Inc.
Recreational real estate developers

Andrew V. Smith (1982) [1,4]
President
Pacific Northwest Bell
Telecommunications

William K. Street (1975) [1,2]
President
The Ostrom Company
Mushroom growers and distributors

Nico van der Vorm (1987) [3]
Chairman-Executive Board
Holland America Line
Cruise and travel related industries

G. Verhagen (1986) [1,2]
Managing Director
Pakhoed Holding N.V.
Oil and chemical storage and transportation

Lowry Wyatt (1975) [2,3,5]
Consultant and Retired Senior Vice President
The Weyerhaeuser Company
Forest products

Emeritus
Nat S. Rogers

( ) Year of election as Director of Univar Corporation or Predecessor

1 Audit Committee
2 Compensation Committee
3 Executive Committee
4 Nominating Committee
5 Pension Committee
6 Public Policy Committee

OFFICERS

James H. Wiborg
Chairman and Chief Strategist

James W. Bernard
President and Chief Executive Officer

N. Stewart Rogers
Senior Vice President – Finance

Nicolaas Samsom
Vice President – Administration

Dick A. Davis
Vice President – Environmental Affairs

David C. Gentry
Vice President – Human Resources

Albert C. McNeight
Vice President
President,
Van Waters & Rogers Ltd.

Guenter Zimmer
Vice President – Engineering

Robert A. Steinseifer
Vice President

Gary E. Pruitt
Treasurer

Barry C. Maulding
Corporate Secretary

GENERAL INFORMATION

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For shareholder inquiry, contact
Shareholder Services
520 Pike Tower, Suite 2134
520 Pike Street
Seattle, Washington 98101-4004

Stock Exchange Listings
Common Stock
New York Stock Exchange
(Symbol UVX)
Pacific Stock Exchange
(Symbol UVX)

9-3/4% Debentures
New York Stock Exchange

10-K Report Available
Shareholders interested in obtaining the Annual Report Form 10-K filed with the Securities and Exchange Commission should contact Barry C. Maulding, Corporate Secretary, Univar Corporation, 1600 Norton Building, 801 Second Avenue, Seattle, Washington 98104. Copies are available without charge.

Annual Meeting
The Board of Directors has set the Annual Meeting of Shareholders for 9:30 a.m., August 26, 1988. The meeting will be held at the Museum of Flight, 9404 East Marginal Way South, Seattle, Washington. Formal notice of meeting is being mailed to shareholders of record June 28, 1988.

PRINCIPAL OPERATING UNITS

Van Waters & Rogers Inc.
General Offices:
1600 Norton Building
801 Second Avenue
Seattle, Washington 98104

OFFICERS

James W. Bernard
President

Bevan A. Cates
Regional Vice President – Western Region

Terrance H. Irvine
Regional Vice President – Southwestern Region

James F. Lacey
Regional Vice President – Central Region

Darwin H. Simpson
Regional Vice President – Eastern Region

Norman R. Ehmann
Vice President – Pest Control Supplies

Gerald R. Fischer
Vice President – Marketing

Daniel McCaskill
Vice President – Environmental Projects

David J. Posthumus
Controller

Van Waters & Rogers Ltd.
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Albert C. McNeight
President

Fred Hermesmann
Treasurer

R. Keith Yardley
Secretary

Muriel MacEwen
Assistant Treasurer

Produced by Hill and Knowlton, Inc.

Univar
CORPORATION

801 Second Avenue
1600 Norton Building
Seattle, Washington 98104

Printed in USA

UNIVAR FY 1988

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various contractual, warranty and public liability cases and claims which are considered normal to the Corporation's business. The liabilities for injuries to persons or property are frequently covered by liability insurance and the deductible portion of the liabilities, where applicable, have been accrued in these financial statements.

A former division of Univar and a present and a former subsidiary have been named as "potentially responsible parties" relative to cleanup costs associated with twenty-three independent waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater pollution. On many of these sites the Corporation could technically be liable for the total costs of cleanup under the principle of joint and several liability. However, with respect to each site numerous other companies are similarly identified and as a practical matter most of them will share in the clean up costs. In all of these cases, the Corporation is a "small generator," and the Corporation's volume of waste delivered to the disposal sites represents less than 1% of the total wastes at each site.

The Corporation is also a defendant in a lawsuit filed by UGI Corporation, which leases an industrial chemical distribution facility in Albuquerque, New Mexico to the Corporation. The suit alleges the operations of the Corporation have caused soil and/or groundwater pollution on the site. UGI and the Corporation have entered into an agreement to share the cost of an investigation. No agreement has been reached on the sharing of ultimate cleanup cost. This site is also part of a government investigation concerning alleged groundwater pollution in the South Valley Albuquerque area. Several other companies are also involved in this investigation.

Ten sites owned by the Corporation and one leased site are the subject of separate governmental proceedings or investigations concerning alleged soil and/or groundwater contamination.

While the results of the proceedings and claims against the Corporation are not presently determinable, based upon the information presently available, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations in the future.

Liability insurance which would respond to claims arising out of pollution is not now practically available. Accordingly, other than a large deductible policy covering liabilities from sudden and accidental pollution incidents up to $50,000,000 per incident, the Corporation does not now have environmental impairment liability insurance but has provided reserves to cover estimated remedial costs.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws will continue to impact the Corporation's operations. For the years 1988 and 1987, the Corporation spent approximately $1,600,000 and $1,300,000, respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations. At February 1988 and 1987 the Corporation had reserves for environmental matters of approximately $11,300,000 and $6,100,000, respectively.

A note in the principal amount of $10,100,000 plus accrued interest, related to a July 1984 sale by the Corporation of a former facility, went into default in May 1986. The Corporation had previously sold the note with recourse. Upon default the Corporation collected $3,750,000 by calling upon a letter of credit provided as security by the purchasers. In December 1986, the Corporation foreclosed on its deed of trust and repurchased the property at the foreclosure sale that it had originally sold in July 1984.

The purchasers and the bank which issued the letter of credit then made various claims for damages or recission, or for preferential rights to the proceeds of the December 1986 foreclosure sale of the property.

BR000583

B. Federal Underground Storage Tank Regulations

In the United States, it is estimated that as many as [redacted] underground storage tanks are in place. Of this number, 1.5 million are small tanks used for containing heating oil at private homes and for gasoline on farms. Another 1.2 to 1.5 million tanks contain gasoline and other petroleum products at service stations. Finally, about 500,000 tanks are located at industrial plants and commercial establishments. Although some of-these tanks have been in place for many years, only recently has concern been focused on the threat these tanks pose to the environment. As a result of this concern, U.S.EPA on September 23, 1988 adopted regulations for underground storage tank ("UST") systems containing regulated substances. In accordance with Section 9003 of the Resource Conservation and Recovery Act ("RCRA"), these regulations establish measures for both new and existing UST systems to prevent, detect, and clean up releases from these systems. These rules became effective on December 22, 1988.

1. Regulated USTs

The final rules are applicable to tanks that contain a regulated substance. A regulated substance is defined as" (1) any substance listed under Section 101(14) of CERCLA, except those regulated as hazardous wastes under Subtitle C of RCRA and (2) petroleum, including crude oil or any fraction of crude oil that is liquid at standard temperature and pressure conditions. Regulated substances also include, but are not limited to, petroleum and petroleum based substances comprised of a complex blend of hydrocarbons derived from crude oil by a process of separation, conversion, upgrading and finishing such as motor oils, jet fuels, distillate fuel oils, residual fuel oils, lubricants, petroleum solvents, and used oils.

U.S.EPA [redacted] from regulation four [redacted] of tanks. First UST systems containing mixtures of hazardous wastes and regulated substances are excluded because they contain hazardous wastes and, thus, are regulated under Subtitle C of RCRA. Second, tanks that contain regulated substances for operational or consumptive purposes on the premises, such as hydrualic lift tanks and electrical equipment, are excluded because they pose a relatively low level of risk compared to other types of storage tanks. Third, wastewater treatment tanks, including any oil/water separators, that are subject to regulation under Sections 402 or 307(b) of the Clean Water Act ("CWA") are excluded to avoid dual regulation. Finally, there are three de minimus exclusions:

* tanks that have a capacity of less than 100 gallons;
* tanks holding a very low concentration of regulated substances; and
* tanks that serve as emergency back-up tanks, holding regulated substances for only a short period of time and emptied expeditiously.

2. <u>Technical and Operational Requirements</u>

A number of technical and operational requirements must be satisfied under the new UST regulations. New tanks must be designed, manufactured and installed in a specific manner. Existing tanks must be upgraded over a period of time to ensure that releases of hazardous substances will not occur. Such upgrades include the retrofitting of these tanks with corrosion protection and spill and overfill control equipment. Finally, release detection for all existing underground tanks must be phased in within a period of five years depending on the age of the tanks.

3. <u>Releases from UST Systems</u>

The final rules require owners and operators to report a suspected release immediately to the implementing agency. Once a release is suspected and reported, a site investigation must be conducted in order to confirm the release. The site investigation steps are as follows:

* owners and operators must conduct tests that determine whether a leak exists in the portion of the tank that routinely contains product or the attached delivery pipe or both;

* owners and operators must repair, replace or upgrade the UST system and begin a corrective action if the test results for the system indicate that a leak exists;

* owners and operators must conduct a site check if the test results for the system, tank or delivery piping do not indicate that a leak exists but environmental contamination is the basis for suspecting a release; and

* owners and operators must conduct a site check to measure for the presence of a release where contamination is most likely to be present at the UST site, taking into consideration the nature of the stored substance, the type of the initial alarm or cause for suspicion, the type of backfill, the depth of groundwater, and other appropriate factors.

The purpose of the site investigation is to measure for the presence of regulated substances and provide a preliminary indication of the need for and scope of further corrective action. The final rule does not require owners and operators to use any particular type of measurement method or assessment technique. However, they are required to measure for the presence of regulated substances in the area where contamination is most likely to be present. If the test results forming the excavation zone of the UST site indicate that a release has occurred, owners and operators must begin corrective action.

4. <u>Corrective Action Requirements</u>

Corrective action will not be initiated until the UST system and UST site are investigated and a suspected release is confirmed. Once the release is confirmed, owners and operators must comply with the following basic requirements in order to ensure an effective response. First, within 24 hours of a release, the owners and operators must:

* report the release to the implementing agencies;
* take immediate action to prevent any further release of the regulated substance into the environment; and
* identify and mitigate fire, explosion, and vapor hazards.

Second, unless directed otherwise by the implementing agency, the owners and operators must perform the following abatement measures:

* remove as much of the regulated substance from the UST system as is necessary to prevent further release;
* visually inspect any above ground releases or exposed below ground releases and prevent further migration of the substance;

* continue to monitor and mitigate any additional fire and safety hazards posed by vapor or free product that has migrated from the UST excavation zone and entered subsurface structures;

* remedy hazards posed by contaminated soil, including compliance with applicable state and local requirements for soil treatment and disposal;

* measure for the presence of a release where contamination is most likely to be present; and

* investigate the possible presence of free product and begin free product removal as soon as practicable.

The owners and operators must perform an initial characterization of the site and the nature of the release and then submit this site characterization to the implementing agency within 45 days of release confirmation. If soil and groundwater contamination is identified, then the owners and operators must determine the full extent and location of contamination.

If the investigation shows [illegible] contamination, the implementing agency, at any point after reviewing the site characterization, may require owners and operators to submit a corrective action plan to respond to this contamination. This plan must be adequate to protect human health and the environment. After approval of the corrective action plan, owners and operators must implement the plan and monitor, evaluate, and report the results of implementation. Corrective action plans may require the complete removal of the leaking tanks and the cleanup of soil contamination down to levels negotiated with the implementing agency. If soil contamination is extensive, the costs of such cleanups could reach into the millions of dollars.

5. UST Closures

All UST which have not been used for a year must be taken out of service and closed. The federal UST regulations establish a number of specific requirements for the closure of USTs. The principal objective of the UST system closure requirements is to identify and contain existing contamination and to prevent future releases from UST systems no longer in service. Because a large number of existing UST systems are expected to close in the next five to ten years, U.S.EPA believes it is important to require proper management procedures for out of service UST systems so that contamination due to improper closure can be prevented.

To permanently close a tank, owners and operators must empty and clean the tank by removing all liquids and accumulated sludges. All tanks taken out of service permanently also must be either removed from the ground or filled with an inert solid material. Either method may be used regardless of the location of the tanks. Thus, any tank located under or immediately adjacent to another structure does not need to be removed if all of the liquids and accumulated sludges are removed and it is filled with an inert solid material. Although not mandated in the final rules, adherence to the guidance set forth in accepted industry consensus codes concerning closure and cleaning of tanks will ensure the safe handling of tanks and minimize the risk of releases during closure. The final step in the closure process is the completion of an excavation zone assessment. The owner of the USTs must sample and remove all soil contamination found during the removal or closure of the tanks.

C. The Disposal of Polychlorinated Biphenyls ("PCBs") Under the Toxic Substances Control Act ("TSCA")

Commercial production of PCBs in the United States began in 1930. The stability and fire resistant properties of PCBs were invaluable as fluid additives in manufacturing operations. From 1930 to 1977, when the production of PCB containing fluids ceased, approximately 1.25 billion pounds of PCBs were sold for industrial purposes. Because of its resistance to degradation,

IV. Conclusions

The identification and remediation of environmental contamination and attempts to quantify and control the associated liabilities and costs is not an easy task. Understanding the scope and purpose of federal, state and local regulations is the first step in developing accurate assessments of business opportunities and liabilities.

As has been set forth, the operation of a commercial or industrial business may implicate a number of environmetnal laws imposing strict compliance requirements on the operating entity. Operating requirements under RCRA and the [redacted] considered. [redacted] the completion of [redacted]. An establishment using PCB transformers may expose itself to significant costs in the event that conditions exist which require specialized disposal of PCBs or PCB Items. Similarly, asbestos removal contingencies cannot be ignored.

With respect to Superfund cleanups, while liability and costs are likely to be extreme, a business operation can control through participation in the RI/FS and cleanup process, the costs and ultimate implications of the cleanup on the market value of the entity. Such an opportunity should not be wasted as evidenced by the escalating costs generally associated with U.S.EPA conducted clenups.

Finally, because the applicable regulations are so pervasive and costs so potentially debilitating, an appraisal must carefully consider the totality of environmental contingencies associated with commercial and industrial business. Whenever possible and practicable, environmental audits should be performed. At the very least, environmental audit-type questions must be addressed to ensure accurate valuations are being conducted.

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VALUATION
of the
COMMON STOCK
of

ANGELES CHEMICAL CO.

as of
April 30, 1988

Prepared by:
ERIC M. BRAMSTEDT, CFA
October 1988

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October 14, 1988

CONFIDENTIAL

Trustee
Employee Stock Ownership Plan
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1988.

Our evaluation places a fair market value of $1,730,000 on the common stock of Angeles Chemical Co. as of April 30, 1988. Based on 54,065 A and B common shares outstanding, the value per share is $32.00. This evaluation is derived from adjusting book value with some support from a positive cash flow.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

MENKE & ASSOCIATES, INC.

Eric M. Bramstedt

Eric M. Bramstedt

EMB:ew

I. INTRODUCTION

Angeles Chemical Co. ("Anchem" or the "Company") has requested Menke & Associates render its opinion as to the fair market value of the Company's common stock in connection with transactions involving the Company's Employee Stock Ownership Trust (ESOT). This valuation is based on financial data provided us for the five fiscal years ended April 30, 1988 and is determined by valuation methods derived from capitalizing cash flow combined with adjusted book value.

In that regard, Menke & Associates places a fair market value of $1,730,000 or $32.00 per share on the common stock of Anchem as of April 30, 1988 based on 54,065 A and B shares outstanding.

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are primarily used in industrial and commercial coating applications. Sales in fiscal 1988 were $9.4 million, having dropped steadily from a peak of $16.8 million in fiscal 1982. Anchem essentially broke even in fiscal 1987, the first year of nonprofitability since its founding in 1972. The Company has a solid balance sheet with essentially no long-term debt.

Scope of the Valuation Study

The purpose of this valuation study is to determine the fair market value of a minority interest in the common stock of Anchem as of April 30, 1988 for transactions involving the Company's Employee Stock Ownership Plan.

In performing this valuation study, a variety of data and assumptions were used. The financial information on past performance was gathered from the financial statements of Anchem as prepared by its accounting firm for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statement for the year ended April 30, 1988.

Projections of expected future financial performance through fiscal 1989 were provided by management. The appraiser has visited the Company's facilities in Santa Fe Springs, California. Interviews were held with members of management and with certain outside sources with regard to the chemical distribution industry and Anchem's relative position within the industry.

In ascertaining the value of the Company, published data on publicly traded companies was utilized in an effort to find comparable companies. There were no companies which were found to be directly comparable.

Prior ESOP Valuations and Reports

Anchem's ESOP was established during fiscal year 1984 as a conversion from a profit sharing plan. ESOP valuations for 1984, 1985 and 1986 were prepared by Charles B. Stark, Jr., PC; the fiscal 1987 and 1988 valuations were conducted by Menke & Associates. The table below illustrates the aggregate ESOP (minority interest) values relative to certain financial criteria:

ESOP Valuation Summary

		Percent of			Times		
Date	Aggregate ESOP Value	Sales	Assets	Equity	Gross Profit	Operating Income	Pretax Earnings
4/30/89	$1,550,000	17.2%	51.6%	76.5%	0.75X	Neg	Neg
4/30/88	$1,730,000	18.3%	56.5%	81%	0.72X	Neg.	Neg.
4/30/87	2,122,604	20.2	65.0	100	0.78	22.6X	26.9X
4/30/86	2,600,000	21.4	79.2	127	1.17	31.3	12.1
4/30/85	2,500,000	18.5	78.0	140	1.12	10.9	6.0
1/01/84*	2,250,000	15.0	71.8	134	1.14	17.2	6.3

* Using FY 4/30/83 financial results

Per share values were $32.00 and $39.25 on 54,065 Class A and B shares in fiscal 1988 and fiscal 1987; $48.20 on 54,209 A and B shares in fiscal 1986; and $48.20 on 51,867 A and B shares in fiscal 1985.

Menke & Associates' fiscal 1987 valuation conclusion was documented in a report dated November 1987 and which is herein incorporated. Among other information, this report contains a description of the chemical distribution industry; Anchem's history, operating description and management; and the valuation methodology employed.

Limitations of this Valuation

In preparing the valuation, Menke & Associates relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Menke & Associates also considered information based upon other publicly available sources which it believes to be reliable, however Menke & Associates and the appraiser do not guarantee the accuracy and completeness of such information and did not independently verify the financial statements and other information. The appraiser is not aware of material omissions or understatements which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This appraisal is intended for the purpose(s) stated herein. Any other application by the Company, its shareholders and others may not be appropriate.

Neither the appraiser nor Menke & Associates, Inc. has any present financial interest in Anchem, and the fee for this valuation is not contingent upon the value(s) determined. The qualifications of Menke & Associates to undertake this valuation are summarized in Appendix II.

II. VALUATION PROCESS

The stock in this valuation has been evaluated based upon: (1) the pertinent principles, regulations and guidelines of the Internal Revenue Service; (2) analysis of the Company's financial statements; (3) thorough discussions with management; and (4) analysis of relevant industry conditions and other factors.

Definitions

The following terms will recur throughout the valuation and should be understood by the following definitions, except as otherwise noted:

Fair Market Value -- The Internal Revenue Service has defined "fair market value" in Revenue Ruling 59-60, issued in March 1959, as:

> "...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

Pretax and Pre-Contribution Earnings -- Pretax earnings refer to earnings or income before federal, state and local income taxes. Pre-contribution earnings refer to pretax earnings before discretionary employee benefit plan contributions.

ESOP -- Employee Stock Ownership Plan and ESOT -- Employee Stock Ownership Trust refer essentially to the same entity and for purposes of this valuation can be considered interchangeable.

IRS Guidelines

In general, a company whose securities are traded in volume by informed persons in a free and active market has its fair market value determined continuously. The prices at which the securities of such a company trade are a reflection of the collective